Marston's PLC 2013

Annual Report and Accounts
for the period ended 5 October 2013

Welcome to Marston's. We offer something for everyone; a welcoming environment, great food, beer and real value for money.

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FINANCIAL HIGHLIGHTS 2013

Revenue

£782.9m

Up 8.8%

Year	Revenue
2013	£782.9m
2012	£719.7m
2011	£682.2m
2010	£650.7m
2009	£645.1m

Underlying* operating profit

£168.3m

Up 6.6%

Year	Underlying* operating profit
2013	£168.3m
2012	£157.9m
2011	£154.3m
2010	£148.7m
2009	£147.4m

Underlying* profit before tax

£88.4m

Up 0.7%

Year	Underlying* profit before tax
2013	£88.4m
2012	£87.8m
2011	£80.4m
2010	£73.5m
2009	£70.3m

Underlying* earnings per share

12.3p

Unchanged from 2012

Year	Underlying* earnings per share
2013	12.3p
2012	12.3p
2011	11.2p
2010	10.0p
2009	13.4p

Dividend per share

6.4p

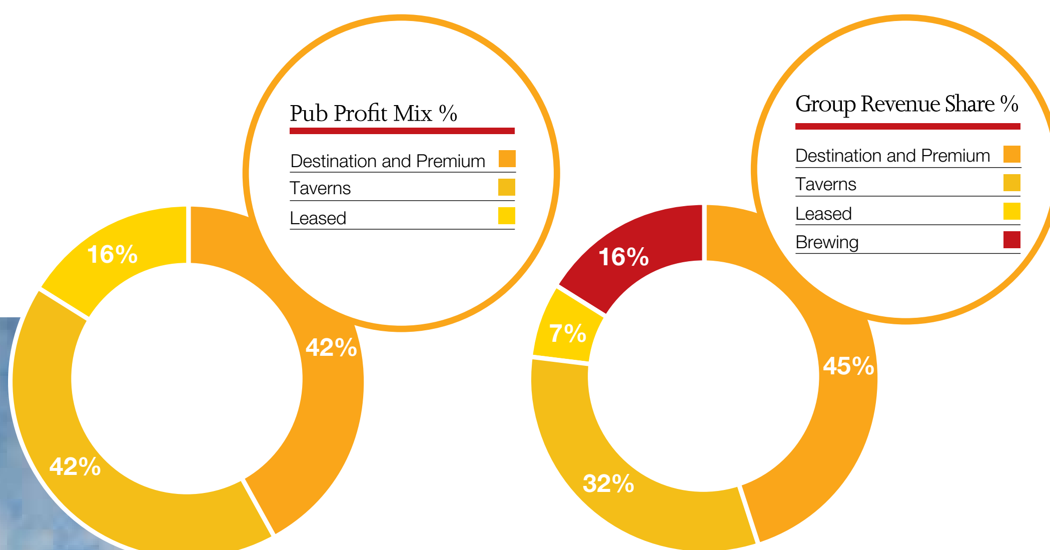
Up 4.9%

Year	Dividend per share
2013	6.4p
2012	6.1p
2011	5.8p
2010	5.8p
2009	7.1p

To find out more visit www.marstons.co.uk

* The underlying results reflect the performance of the Group before exceptional items. The Directors consider that these figures provide a useful indication of the underlying performance of the Group.

Marston's operates over 2,000 pubs across the UK, many at the heart of thriving local communities. We run five breweries each producing distinctive local ales of genuine provenance. We employ around 13,000 people nationwide.



PUBS

"THE BEST PLACE AROUND HERE"

We operate pubs and bars under different business models – managed, franchised, tenanted and leased – in one business division. This maximises our operating flexibility and ensures that we are better placed to apply our consumer insights throughout the business. We invest in new-build pub-restaurants which meet increasing demand for informal dining, and align our community pubs to the changing needs of today's pub customers. We are proud of our pubs, and we want our customers simply to think of them as "the best place around here" – whatever the business model, format or brand. Our principal pub segments are described below.

DESTINATION AND PREMIUM – 349 PUBS

Destination pubs are larger, food-led managed pubs and include our new-build pub-restaurants with two main brands – Marston's Two for One and Milestone. We aim to offer great value and high levels of service in a traditional pub environment – ideal for day to day convenience, special treats and celebrations. Around 50 pubs also offer rooms.

Our Premium pubs and bars include Pitcher & Piano – popular with young adults attracted to lively bars in premium locations.

TAVERNS – 1,316 PUBS

The Taverns segment is our community pub estate and includes franchised, managed and tenanted pubs. We believe the franchise model is ideally suited to the community market, combining the entrepreneurial flair of great licensees with the benefits of Marston's economies of scale and insights, and we expect most of our Taverns pubs to be operated under this model over time. Great community pubs are about socialising, entertainment, good value food and drink and licensees who know their customers.

LEASED – 385 PUBS

Some of the best pubs in our estate, many of which are distinctive and characterful, are best operated by highly skilled lessees who run these pubs independently with exceptional service and high quality offers. The fact that we have a relatively small leased estate of less than 400 pubs contributes to our ability to foster good working relationships with our lessees.

BREWING

"PREMIUM BEERS AND LOCAL ALES"

Our five breweries, situated in the North of England, the Midlands and the South of England, underpin our strategy and enable us to brew high quality, distinctive beers with true authenticity and provenance.

BRANDS

We have a permanent range of 18 cask beers and brew a further 50 or so every year on a seasonal basis. Pedigree and Hobgoblin remain our national drive brands and feature in the top 20 bottled beer brands.

PREMIUM CASK AND BOTTLED ALE

We are market leaders in premium cask ale with a market share of 18% and, in bottled ale, our market share has increased to 24%. The £7 million investment in our new bottling line at Burton upon Trent, which opened in October 2013, will support our objective to increase our market share to 30% by 2017.

SERVICE

We pride ourselves on customer service and quality providing a full in-house distribution and Beer Quality Technician service. This allows us to control the quality of service as well as reinforcing our localness credentials. Our aim is to deliver the perfect pint every time.

Roger Devlin
Chairman

In this my first statement as Chairman, I report on a year of solid progress for Marston's, with a strong operating performance in the second half year contributing to a 6.6% increase in underlying operating profit to £168.3 million (2012: £157.9 million). Profit before taxation and exceptional items also increased, by 1% to £88.4 million (2012: £87.8 million), despite significantly higher interest costs due principally to contractual rate increases in the securitisation. Underlying earnings of 12.3 pence per share were unchanged.

I chair the Board at an exciting stage of Marston's development. I am fortunate to have joined a well-managed, long-established business with good knowledge of its markets. We have a clear, consistent strategy and it is producing promising results. I aim to continue to develop our current plans with a focus on ensuring that resources and capital are employed in the most favourable markets and consistent with consumer trends.

Since joining Marston's, I have been very impressed by the enthusiasm, dedication and professionalism of our people, from head office staff to those working in our pubs and in brewing. Their commitment is reflected in very good employee feedback survey results, and will be vital to our further development in a fast changing market.

In reviewing our operating results, I am especially encouraged by the good performance of our food-led Destination and Premium pubs, which are the focus of our investment plans and which underpin our growth, and by our outperformance in Brewing. We have well-developed expertise in site selection and property development contributing to high returns from our new-build pub-restaurants, and a good understanding of our customers and markets. Our plans are well thought through and, with a visible new site pipeline, achievable. I am pleased to report that we are now able to increase our growth targets to 25-30 new pub-restaurants per year, with around 60 targeted over the next two years – creating around 1,200 new jobs each year, mainly for young people and often in areas where employment opportunities are limited.

The community pub market however continues to face substantial challenges. Marston's has been on the front foot in addressing these through the introduction of the franchise model and intensive management of smaller wet-led managed pubs, but the tenanted model remains difficult despite increased support. We therefore aim to accelerate our disposal plans; having realised nearly £50 million in 2013 we have increased that target to at least £60 million in 2014.

These plans reflect changes in the way people use pubs and their higher expectations of them. Looking forward, we will continue to work hard to differentiate, to innovate, and to adapt new technology such as social media to ensure that our pubs remain relevant to today's and tomorrow's customers. Our goal to be "the best place around here" for celebrations, day to day treats and socialising, recognises that there are many competitors for the leisure pound, from restaurants to coffee shops – but none better than a well-run pub.

In reviewing the balance sheet we have made some progress in 2013 towards our objectives to reduce leverage and improve returns, and these will remain key priorities. Our property estate is substantially freehold, with around £2 billion of assets at the year end. Cash generation has been strong, with free cash flow before investment capital of £86 million. We have secure long-term financing, with net debt excluding lease financing of £1,082 million (2012: £1,121 million), and an additional £109 million of funding raised through our innovative long-term lease financing in 2013. I am pleased to report that we continue to make progress in improving our returns with Cash Return On Cash Capital Employed of 10.8%, representing a 1.2% improvement since 2010.

The outlook for Marston's is good, and the Board is pleased to recommend a final dividend of 4.1 pence per share, providing a total dividend for the year of 6.4 pence per share, up 5% on 2012 and covered 1.9 times (2012: 2.0 times). Our dividend policy is unchanged: we aim for dividend cover of around two times over the medium term.

I look forward to meeting shareholders and welcome your feedback on Marston's and its strategy. In particular, I hope to see many of you at this year's AGM when there will be an opportunity for us to discuss our progress and plans.

This is my opportunity to thank my predecessor, David Thompson, for his unfailing effort and strong leadership of the Board during his long and happy association with the Company. David was a tireless ambassador for the business and an eloquent and enthusiastic advocate of brewing and pubs. An independent Board review prepared for my arrival reflects a strong, well-rounded Board which is testament to his chairmanship since 2001.

Robin Hodgson retires from the Board at the close of this year's AGM having served as a Non-executive Director since April 2002. I thank Robin, who has also been a very effective Senior Independent Director and Chairman of the Remuneration Committee, for his wise counsel and contribution to the work of the Board over the last 11 years and wish him the best for the future. Neil Goulden succeeds Robin as Senior Independent Director and Chairman of the Remuneration Committee and Nick Backhouse succeeds Neil as Chairman of the Audit Committee.

In conclusion, I was privileged to be invited to serve as your Chairman. As you will read in this Annual Report and Accounts, Marston's is in decent shape and continues to make good progress in delivering value to its shareholders and other stakeholders, despite the burden of both tax and regulation that we confront everyday. Similarly, I am well aware that disposable income for many of our customers remains limited and we will continue to strive at all times to provide fair value. We expect the pace of economic recovery to be modest across much of the country. Despite this I am confident that we have the right plans in place, and the resources necessary to achieve our objectives.

Roger Devlin
Chairman
28 November 2013

Our business model is simple: we own pubs that we manage ourselves or, in the case of smaller pubs, that are run by tenants, lessees and franchisees; and we brew beer. It is a model that we have operated since 1834 when the first of our businesses was founded.

MARSTON'S BEER COMPANY

- Over 70% of beers brewed by us are sold to customers independent of Marston's – to the free trade, supermarkets and other pub companies.
- Our range of genuinely local beers from our five breweries sets us apart.

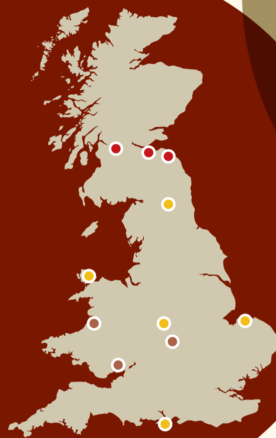
MARSTON'S INNS AND TAVERNS

- Destination and Premium pubs provide most of our growth and are great for customers looking to eat out – whether for convenience or as a treat.
- Taverns pubs are welcoming community pubs which thrive through offering sociability, entertainment and great value.
- Our leased pubs are owned by Marston's but let to successful entrepreneurs who run their own business in distinctive, well located pubs.

MARSTON'S PLC

90% of our profits come from Marston's Inns and Taverns, the pub retailer – but we have not forgotten that Marston's Beer Company, the brewer, is at the heart of the business. This gives us a real point of difference – we see the market from different perspectives.

NEW BUILDS IN 2013



A NATIONAL PROGRAMME WITH 22 NEW SITES ACROSS THE UK INCLUDING:

- Hunstanton in Norfolk, Holyhead in Anglesey, Harrogate in Yorkshire, Telford in Shropshire and Sandown in the Isle of Wight
- Three pub-restaurants in Scotland, four more planned in 2013/14
- Three lodges open – Chepstow, Redditch and Aberystwyth

£2 BN PROPERTY PORTFOLIO

- Most of our pubs have been around for a very long time, and we intend for that to continue – so we prefer to own our pubs outright ('freehold') rather than to lease them from another owner.
- As freehold pubs are intended to be for the long term, we use long-term debt at a prudent level to finance them.

We operate in the UK eating-out and drinking-out markets through our pubs; sell our products to the UK on-trade and off-trade; and export to 57 countries worldwide. We carefully research the markets in which we operate so that we can assess and understand them, thus improving our standards, service and range to gain market share.

c.1,000
Tenanted & Leased

c.600
Franchise

THE UK PUB MARKET

There are over 50,000 pubs in the UK operating in one of the following ways:

1. Managed pubs are operated by a pub company or brewer which employs a salaried manager and pub staff and determines the service style and product range. There are around 8,000 managed pubs in the UK. Marston's has around 500 of these and our variety of operating formats allows us maximum flexibility to best meet our consumers' needs.

2. Tenanted/Leased pubs are owned by a pub company or brewer but leased to, and operated by, a third party tenant or lessee, who pays rent. The tenant or lessee is responsible for the management of the pub and generally contracts to purchase some or all of their drinks products from the pub company or brewer which owns the pub. This part of the agreement is called the 'tie'. There are approximately 25,000 such pubs in the UK of which Marston's has around 1,000. The relationship between pub owners and tenants and lessees has been the subject of government scrutiny in recent years and the industry remains a heavily regulated one. Marston's has long argued that fair, sustainable rents and a partnership approach are vital for the success of tenanted and leased pubs, and all our agreements comply with the Pub Industry Framework Code of Practice.

3. In 2009 we introduced franchise agreements as a response to pressures on tenanted and leased pubs. This enables us to take greater control of the retail offer and standards allowing the franchisee to focus on the customer. We have approximately 600 franchised pubs.

4. Free houses and pubs which are independently owned and operated by private individuals, partnerships or companies. We supply around 3,800 customers through our independent free trade channel.

Destination and Premium:
Growth in coffee sales up
19%

Strategic Report

EATING OUT

Whilst economic pressures continue to affect UK consumer confidence, spend on 'everyday treats' and 'low ticket items' has been resilient. The market is worth in excess of £50 billion and this is expected to grow. Managed and branded pubs are taking a greater share of this growth driven by an improvement in their food offer and adapting to customer trends for all day and less formal dining.[1]

Consumers have a broad range of eating-out options and where they choose to eat is driven primarily by food quality, choice and value. Research shows that consumers look at ingredients, cooking techniques and menu descriptions rather than calories to determine whether or not a meal is healthy[1]. Consumers are demanding more from pubs and want to experience something different whether that be the 'theatre' of seeing their meals freshly cooked, walking up to a carvery and choosing what they want on their plate, or customising their dish through a choice of toppings. There is also growth in less formal meal occasions and snacking throughout the day.

Our new-build strategy and value-for-money dining continues to represent a significant growth opportunity against this backdrop. Our focus on providing consumers with conveniently located pub-restaurants offering good value and quality service in attractive surroundings has resulted in significant growth in food sales, which now comprise 52% of total sales in Destination and Premium. On page 11 we have set out some of the exciting developments Marston's has introduced to its food offerings.

Destination and Premium food growth

	2013	2012
Food sales mix	**52%**	49%
Meals served	**27 million**	24 million
Spend per head on food	**£6.58**	£6.31

Destination and Premium:
Average profit per pub up
11.9% to
£207k

1 Allegra.

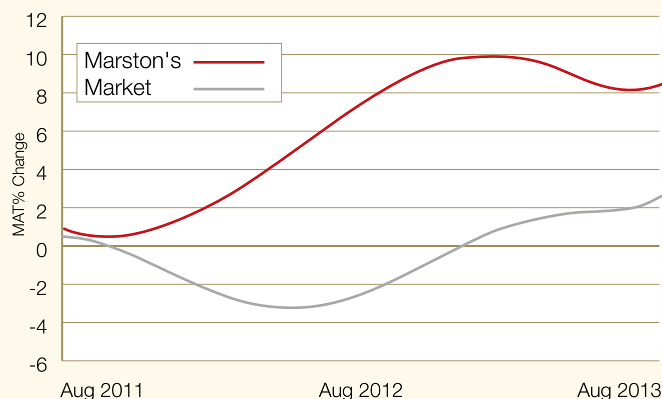
BEER

Whilst the removal of the beer duty escalator earlier this year was helpful, beer consumption in pubs remains in overall decline. Factors driving this decline include the harmful impact of regulation and taxation on pubs in particular; the state of the economy; competition for disposable income and leisure time; lifestyle changes including increased health awareness; and the adaptation of pubs to exploit growth in casual dining.

However, there continues to be growth in home consumption of ale, particularly premium bottled ale, providing opportunities to grow market share. Cask ales continue to outperform the market and now account for over 15% of all beer sales. They continue to recruit new drinkers with appeal based on delivering greater product attributes of flavour, craft credentials and brewer provenance.

Marston's strategy is focused on the growth areas of the market and we utilise our five breweries to innovate constantly and exploit emerging trends. We continue to outperform a declining beer market through our focus on cask and premium bottled beers. Our new £7 million bottling line opened in October 2013 and will support our aim of increasing market share in the UK premium bottled ale sector. Fast**cask**™ continues to open up new markets for cask ale and our Revisionist range allows us to introduce new and exciting beers on a rotational basis. At The Publican's Choice Awards 2013 Marston's was named as best national cask ale brewer. The awards, voted for by readers of The Publican's Morning Advertiser, recognise the best suppliers in the trade. Our extensive portfolio of beer styles and innovative approach to creating new beers: including the Single Hop and other beers in the craft range, contributed to our success at the awards.

UK Premium Ale Volume Growth Trend



Source: BBPA SVS/Company Figures

Our strategy is for Marston's to grow and increase returns through the continued development of great pubs, bars and pub-restaurants and a unique portfolio of premium beers and local ales. We aim to provide our customers with the best place around for celebrating, everyday treats and socialising.

Delivering sustainable growth:

Marston's is investing capital in a sector of the UK eating-out market, which is believed to offer attractive growth opportunities as described within the Market Overview.

Increasing return on capital:

Ultimately, shareholder value is created by generating superior returns in comparison with cost of capital. We are investing significantly in new-build pub-restaurants and have a balance sheet comprising approximately £2 billion of predominantly freehold property.

Reducing leverage:

Marston's has secure, long-term debt of approximately £1.3 billion. The amount of leverage which is appropriate is decided in the context of the affordability of debt – that is, it is 'serviceable' and provides sufficient headroom – and that it is 'replaceable' as facilities mature or bonds are repaid.

Destination and Premium strategy

High quality estate

Estate development

- High quality, nationally located pub estate, directly operated by Marston's
- Broad range of trading formats and brands

Consumer focus

- Value for money, great service
- 'F-Plan': Food, Families, Females, Forty/Fifty somethings

Objectives

- Increase the estate to around 500 sites in the next five years
- Develop Two for One and Milestone drive brands to around 200 outlets each in the next five years
- Continued development of the 'F-Plan'
- Continue to improve service standards through investment in our pubs and our people

Progress

- Completion of over 100 new-builds in the last seven years
- Food mix accounts for 52% of sales
- Like-for-like sales and margin growth in the last three years

Future plans

- Target 25-30 new openings nationwide per annum over the next few years
- Maintain value offers
- Expansion of premium pubs offer

Taverns strategy

Great community pubs

Evolution of franchise

- Low barriers to entry
- Simple model
- Efficient operation

Consumer focus

- Making community pubs the heart of the local community
- Offer great drink, great food and great entertainment for all customers

Objectives

- Convert all pubs to managed or franchised within five years
- Target licensee stability rate of 90%
- Growth in profits
- Dispose of smaller wet-led pubs

Progress

- Around 600 sites operating under franchise agreement
- Franchised pubs profit growth over past three years
- 150 pubs disposed of in last two years

Future plans

- Target at least 100 franchise conversions per annum in next two years
- Development of food offers more appropriate for community pubs
- Target 400 individual pub disposals over two years

Leased strategy

Smaller high quality estate

Stable estate

- Recruit high quality entrepreneurs to maintain stable estate
- Flexible agreements

Consumer focus

- Leverage Marston's pub knowledge into Leased estate
- Access to Marston's buying power to offer consumers great value

Objectives

- Target licensee stability rate of 90%
- Growth through stable relationships

Progress

- Lessees offered full flexibility on rents and beer pricing
- Retention rate over 90%
- Stable profits

Future plans

- Continued development of agreements to maximise Marston's and lessee profitability
- Investment in estate to drive profit growth

Brewing strategy

A premium beer business

Strong presence in local markets

- National independent free trade operation
- Operate out of five breweries in Burton upon Trent, Wolverhampton, Witney, Ringwood and Cockermouth

Premium focus

- Focus on premium cask and bottled ale and development of craft beer
- Expansion of take home and export teams

Objectives

- Become category leader for premium cask and bottled ale
- Leverage value from local breweries

Progress

- Expansion of independent free trade operation serving over 3,500 customers
- Segment market leader in premium cask and bottled ale
- £7 million investment in new bottling line to support future growth

Future plans

- Expand independent free trade customer base
- Maintain segment market leader status and grow market share
- Exploit future growth opportunities in export markets

Our strategy, as described below, focuses on the organic development of the business. The potential for developing through acquisition is reviewed regularly and measured against the consistently strong returns achieved through our organic investments. In 2014 we intend to accelerate our new-build development plans and to initiate a more aggressive disposal programme for smaller wet-led pubs. There are five key components to our plans:

1. Operating high quality pubs for current and future consumers

New-build pub-restaurants

Investment in new-build pub-restaurants continues to be the primary growth driver for Marston's. In 2013 we opened 22 new-build pub-restaurants across the UK, including our first pubs in Scotland. Over the past seven years we have built more than 100 new pub-restaurants throughout England, Wales and Scotland.

Our pub-restaurants are well located and designed to combine traditional pub ambience with convenience and provide attractive, relaxed dining options. We focus particularly on value for money with high standards of service and building pub-restaurants which are ideal for day to day convenience, special treats or celebrations.

From an investment perspective, the organic new-build programme has generated consistently higher returns on capital invested than historical acquisitions across the industry, reflecting careful selection of hand-picked sites, attractive pub design and build, and a strong consumer offer. The performance of our new-build programme since 2010 has been good, consistently beating our target return on capital of 16.5% representing an investment multiple of 6x EBITDA. This high return on capital has generated significant value for investors, demonstrated by the 2012 estate valuation of the new-build pubs which yielded an uplift of over 50% against build cost.

Site selection is critical to the success of our new-build pub-restaurants. Our experienced acquisitions team have established good relationships with site developers, helping to maintain a 'preferred partner' status based on knowledge and experience. As a consequence we have a strong, visible site pipeline for the foreseeable future.

Our success in finding good sites and the strong financial results achieved through building new pub-restaurants have enabled us to increase our expansion target from 20-25 per year to 25-30 per year.

Accelerated disposal of smaller wet-led pubs

Consumer expectations are changing and demand for better-quality pub and dining experiences is increasing, stimulated by greater choice and new, exciting brands and formats. This trend provides opportunity, but it also exposes an increasing number of pubs – and licensees – to a developing market which is demanding higher standards.

The pubs most exposed to this trend tend to be smaller, wet-led pubs where food sales are modest or incidental, and which lack the position or scale to compete effectively with either well-implemented managed formats or very high quality independent operators. These pubs have also suffered most from the government's taxation and legislative changes in recent years. As a result we now aim for a higher number of disposals, principally from the Taverns estate, with a target of £60-70 million proceeds per annum for financial years 2014 and 2015.

The new-build programme – a national rollout with industry leading momentum

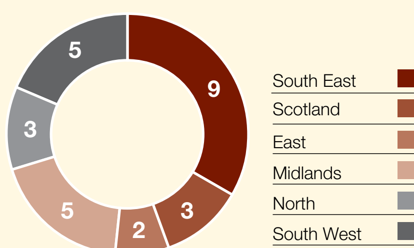
Marston's pub development initiative is a truly national programme and 2013 saw us open pubs across the UK, including in the Isle of Wight, Dunbar, Hunstanton and Holyhead.

We employ a leading team of development surveyors to acquire land and have concluded development deals with Premier Inn, Tesco, Morrisons, KFC and Costa Coffee.

Our achievements were recognised by the Property Industry in 2011, where we won "Property Company of the Year – Leisure" at the Estates Gazette awards and we have been shortlisted, as finalists, again in 2013. We were selected ahead of many established property companies and are regarded as a successful property developer in our own right.

We expect to open 25-30 freehold sites per annum and have a good pipeline of openings for many years to come.

Our 2013/2014 planned openings by region are shown below:



New-builds enable us to expand into new geography, with a building designed to maximise the consumer experience and operational efficiency. Our recent estate revaluation showed that each new pub-restaurant opened is worth over £1 million more than the development cost meaning that our expansion programme is delivering significant shareholder value.

In reality quality pub-restaurants rarely become available in the open market and, when they do, they attract significant premium bids from the sector. A controlled development programme means we do not have to rely on opportunistic purchases or compromise our return on capital (ROC) hurdle rates when such pubs present themselves.

We are one of the few pub companies to achieve BREEAM Excellent accreditation on new developments and incorporate many energy saving initiatives within our standard specification.

Our focus and track record of completing deals has resulted in a significant pipeline of sites under negotiation (over 100) meaning that the new-build programme will be a cornerstone of Marston's expansion strategy for many years to come.

These more aggressive disposal plans are intended to improve returns over time; assist the funding of the new-build programme; and improve further the quality of our estate. During 2013 we sold, or exchanged contracts, on 130 pubs and other assets generating net proceeds of around £50 million. In addition, since the year end we have unconditionally exchanged contracts on the disposal of a package of 202 pubs for a consideration of £90 million at a sale multiple of just under 7.6x EBITDA. As a consequence, the quality of our remaining estate will improve.

Development of a range of pub brands and formats appropriate to local markets

Our range of pub brands and formats is one of the strengths of our business model, enabling us to meet different customer expectations for different occasions and in different markets: in each format, our objective is to be "the best place around here" – for celebrating, socialising and convenience. Our formats are in one of three principal groups, each of which achieved like-for-like sales growth in 2013.

Destination food: our 314 pubs in this category are principally in two brands – Marston's Two for One (138 pubs), and Milestone (82 pubs). Both brands offer excellent value for money to customers, with a focus on offering high quality food and drink in a relaxing pub environment at affordable prices. Service standards are high, including full table service in all sites. Our focus on service and pub ambience together with interesting and varied menus supports a high food sales mix of around 56%. Our new-build pub-restaurants are operated under these two brands.

Premium pubs and bars: our 35 outlets are Pitcher & Piano bars and Revere pubs. Pitcher & Piano performed well in 2013 with good growth in like-for-like sales and profit. Pitcher & Piano is popular with young, more affluent adults attracted to lively bars in premium locations. Food sales are increasingly important and now account for 25% of sales. We opened a new Pitcher & Piano in Hitchin during the summer which has traded strongly, and we will selectively seek to expand the estate as appropriate locations become available. Revere pubs are high quality pubs in very strong locations which benefit from a premium offer with an independent trading style. The first six Revere pubs opened in 2013 with six more identified for conversion in 2014.

Taverns: Taverns is our community pubs business, including 135 managed pubs, 603 franchise pubs and 578 tenancies. We aim to offer traditional pub entertainment and everyday value food and drink in a traditional 'community local' pub environment. Typically, these are wet-led pubs, although food sales are increasing and represent around 25% of sales mix. We will continue to invest, where necessary, in these pubs. Over the next two to three years we expect that most of our Taverns pubs will be operated under our successful franchise model which is described in further detail below.

In Marston's Inns we offer high quality pub accommodation in around 50 pubs. In addition, we are co-located with national lodge operators on 12 sites that have already been developed, and in 2013 we opened three Marston's lodges – Aberystwyth, Chepstow and Redditch – adjacent to pub-restaurants.

Food development

Informality in dining out is becoming more popular, and customers' needs are for a more casual and less structured eating experience. At the same time, there is an increasing trend in three other key themes – a demand for freshness, customisation and more 'retailtainment'. Our pubs and offers are well suited to benefit from these trends; below are three examples from last year.

Milestone Rotisserie

As part of the continued rollout of the Milestone Rotisserie format, there has been further focus on the front-of-house rotisserie oven and accompanying theatre and merchandising, providing a unique environment for customers.

Larger ovens have been installed in some pubs, creating a greater focus on the rotisserie cooking method as well as enabling a greater range of meats to be cooked in them. The deli layout provides a more all-encompassing and sensory experience than standard pub dining and in addition to our beer and glassware, the deli now stocks the same sauces that are used on the rotisserie dishes – adding to the more immersive nature of the whole experience and customer relationship.

More than just a carvery

Customers have always liked the ability to see the food in front of them and choose for themselves. In our Milestone Carvery pubs they can now also enjoy a cooked breakfast selection from the deck every Saturday and Sunday.

Taking 'eat with your eyes' one step further, every pub has had a cake display cabinet installed – showcasing some really jaw-dropping giant desserts. Available either to eat in or take away, this has significantly increased sales of desserts.

With the main carvery offer, freshness and provenance have also become more evident, with virtually all vegetables served now fresh, not frozen, seasonal items introduced, and extra communication in pubs to explain provenance.

Wood-fired pizzas in Revere pubs

Our premium pubs already serve amazing quality steaks, cooked in our Josper charcoal ovens, giving an intense smoky flavour. This year a new feature has been added to the menu and dining experience in the form of rustic wood-fired pizza ovens.

Dedicated pizza chefs hand stretch and cook pizzas in front of customers using these traditional wood-fired ovens. The offer is enhanced with the addition of great-tasting local specials. The Curious Pig pizza, for example, which features roasted bacon, pulled pork shoulder and caramelised apple, has proved to be a massive hit with customers.

The addition of this quality pizza offer has opened up other trading parts of the week outside of traditional weekend and evening peaks. Pizzas now account for around 20% of food sales in Revere pubs.

Marston's Pub Career Path

With the continued rise in food sales across our business this year we have concentrated on enhancing the training and engagement levels of our kitchen teams and chefs, and launched the third and final level of our Chef Development Programme (CDP) which forms a key part of the Marston's Pub Career Path.

All employees who join Marston's to work within our kitchens will start by completing a job specific induction programme and five e-learning courses. Training and development thereafter takes place through our bespoke CDP.

For employees who join Marston's as a Kitchen Porter or Kitchen Assistant, CDP Level 1 trains them to become a Line Chef. This level teaches them how to cook every dish on the menu and how to use every piece of equipment in the kitchen. In addition CDP Level 1 gives employees an understanding of basic profit and loss within the kitchen, and softer skills relating to working as a team and communication skills. Since the launch of the first level of CDP in 2011, over 2,000 employees have completed this training programme.

For Line Chefs with their eyes on a step towards kitchen management, they can continue to progress through our career path and complete CDP Level 2, which will train them to be a Second Chef. This level provides them with the skills and knowledge to manage the kitchen in the Head Chef's absence and includes training in areas such as placing food orders, completing stock takes and keeping the kitchen team motivated. Since launching CDP Level 2 in 2012 over 800 chefs have completed this level helping them obtain their CDP Level 2 Second Chef job title and the recognition that comes with this.

Launched at the start of the 2012/13 financial year CDP Level 3 is the level that develops our Second Chefs to Head Chefs. As part of this level we focus on developing the management skills of our Head Chefs through 'blended learning' which includes completion of a workbook, demonstrating practical skills in their own kitchen and three classroom based workshops delivered by the kitchen training team. We are delighted that over 130 employees have completed their Head Chef training so far.

Development through the career path is not the only way that we have been able to engage with our valued kitchen teams this year. 2013 saw a series of Head Chef Conferences take place within our Two for One format. Our Two for One Head Chefs were invited to regional conferences to hear all about Two for One performance, future strategy and their new menu. We also launched our new Head Chef Bonus Scheme in October 2013 recognising the outstanding contribution of a number of Head Chefs through prizes awarded for excellent SMILE survey scores on food quality.

Our plans to develop our kitchen team do not end here. In the coming year we have plans to continue kitchen team and chef skill development and engagement by introducing new training programmes for our Milestone Carvery and Milestone Rotisserie sites. We are also looking to build development bridges between our Head Chef Programme and our Deputy Manager Programme for those Head Chefs with aspirations to move front-of-house and towards pub management.

2.Value and service

Over the last decade our organic development has been underpinned by the 'F-Plan': a focus on Food, Families, Females and Forty/Fifty somethings. The plan was introduced in anticipation of consumer trends including the development of the UK eating-out market; social and demographic changes including higher female employment and a maturing UK population; and the potential for pubs to offer a better experience to families. We are confident that this focus remains appropriate today.

In our managed pubs we served over 30 million meals last year and in our Destination pubs food is the primary driver for around 80% of customer visits. We consistently outperformed the Peach Market Tracker – an accepted index of pub and restaurant performance – in 2013 and have increased our share of the eating-out market. The appeal of our pubs to families is strong and increasing, demonstrated by a 19% increase in kids' meals served in the year.

Consumer expectations are increasing and the pace of change is rapid. We aim to continue to increase market share within the informal pub-dining sector through offering excellent choice, outstanding value and high service standards – key priorities for customers today. Our menus are refreshed frequently and offer choice from traditional pub favourites to international meals and lower calorie alternatives. The introduction of full table service and new retail technology such as hand-held tills exemplifies our commitment to service improvement – initiatives like this assist with customer communication, contributing to double digit growth in starters, desserts and coffee sales in 2013.

We measure our success through our online customer feedback process which we call the 'SMILE' report for obvious reasons. SMILE provides quick feedback enabling us to respond faster in improving customer service.

Our people are critical to the success of our service ethos. We have comprehensive recruitment and training programmes designed to ensure that we recruit the best staff available in a highly skilled area, with clear development, training and career paths for all of our pub staff. There is a perception in the UK that careers in the pub sector are low paid and low skilled. As the growing number of great managers and chefs attracted to our pubs demonstrates, this is a highly skilled business, and there is a clear pathway for talented young people with front-of-house and catering skills. Marston's opens 20-30 new pub-restaurants a year, each one creating around 50 new jobs, many of which are accessible to young people and in places where jobs are considered scarce.

3.Evolution of our franchise model

Our franchise model was introduced in 2009 with the principal objectives of improving the consumer offer in tenanted community pubs, and improving profitability in those pubs for both Marston's and licensees. Our franchise agreement, with some variations, now operates in around 600 pubs and has three principal benefits for licensees:

- **Simplicity:** licensees typically earn around 20% of turnover, with no payments for rent, food or drinks, which are all supplied by Marston's. Licensees are thus focused on revenue maximisation.
- **Reduced funding requirement:** licensees are only required to provide a refundable deposit, typically £5,000, but do not have to buy fixtures and fittings.
- **Reduced licensee risk:** other than payroll costs, Marston's has responsibility for the cost of goods sold, operating expenses, and stock. We ensure that these costs are managed efficiently through using our established retail systems and our Group purchasing power.

The benefits to Marston's are clear: the post-conversion profitability of the franchised estate is strong with £1.5 million profit growth achieved in 2013. Licensee stability is high, at over 90%, and we receive more applicants for pubs operating under a franchise model than for those operating under traditional agreements: prospective licensees clearly value the benefits described above. Around 30% of applications are from people new to the pub sector.

We first introduced franchise models into pubs which were formerly tenanted, but in 2013 extended the model into 20 previously managed pubs achieving positive results. We anticipate extending this further into the Taverns managed estate and over time expect that all Taverns community pubs will operate under franchise models. In our view, this combines the benefits of an incentivised, entrepreneurial licensee able to 'act local' with the control and scale benefits offered by the managed model.

In summary, we anticipate that the franchised estate will continue to grow in 2014 and that over time, all of our Taverns estate will operate under either a managed or franchise model.

4.Focus on pub quality and support in leased pubs

Over the last five years, the market-wide performance of tenanted and leased estates has been weak. We have separated our leased estate from the tenanted estate and, as described above, we have clear plans to convert our tenanted pubs to the franchise model or to accelerate disposals depending upon our assessment of sustainability.

The performance of Marston's leased estate has consistently been more robust than the sector generally. The reasons for this include:

- A consistent approach to setting fair, sustainable rents over many years.
- Transparency in dealing with licensees.
- Assistance for licensees from good Business Development Managers, and wide-ranging support in terms of promotions, cost management, advice and online facilities.

Essential to the long-term sustainability of this segment is a high quality estate of attractive, well-located pubs capable of meeting increasing consumer demand for better quality experiences, and which are therefore capable of attracting good, entrepreneurial licensees. These are likely to be food-led rather than wet-led, and able to compete against value-managed formats through offers characterised by individuality, differentiated menus, service and quality. We believe our high quality leased estate offers these characteristics.

We recognise that the success and sustainability of these pubs is down to good lessees: we contribute with a robust appointment process, fair dealing and support thereafter. The fact that we have a relatively small leased estate of less than 400 high quality pubs contributes to our ability to foster good working relationships with our lessees.

5. Differentiation in the beer market through a 'localness' and premium ale strategy

There are two consumer trends which have influenced our brewing strategy in recent years.

First, the ale market has fragmented as a consequence of increasing consumer interest in provenance, choice and taste – particularly in traditional ales. This trend broadly mirrors the growth of craft beers in the US, and is evident in the UK by the growth in micro-breweries (there are now around 1,000 breweries across the country). There is less interest in conventional 'big brand' behaviour amongst beer drinkers.

Second is the demand for more premium beers. This is linked to interest in taste, but also reflects the increasing importance of eating out in pubs: the choice of beer is more likely to be premium when it accompanies a meal.

In determining our brewing strategy some years ago, we anticipated these trends. We have a competitive advantage in not only being able to brew beers from five breweries in England, but also being able to sell them across the UK.

This strategy has produced demonstrable success: in 2013 we increased ale volumes by 6% in a market which declined by 3% building on the volume growth and market share gains achieved in recent years. Over the past five years we have increased our premium ale volumes by around 25% in total and around 42% in the off-trade against a declining market. We are leaders in premium cask ale, with a market share of 18%, and in bottled ale with a share of 24%.

Our wide brand portfolio is supported by high standards of service to our customers in the independent free trade and pub sector generally, and through category knowledge and leadership including publication of The Cask Ale Report and The Premium Bottled Ale Report, which can be accessed on our website.

Innovation is critical to our future plans. Examples of brewing innovation include the ground-breaking fast**cask**™ system which has enabled us to expand the market for cask ale; and the launch of our Single Hop programme, which is now in its second year and involves the creation of different flavoured beers using hops from around the world. In 2013 we introduced our own craft beer range including Revisionist lager; Marston's Oyster Stout; and Shipyard IPA – the product of an alliance with one of the largest craft brewers in the US, the Shipyard Brewing Co. from Portland, Maine.

Our marketing activity reflects the character of our brands: Marston's Pedigree is 'The **Official** Beer of England Cricket'; by contrast, Hobgoblin is the '**Unofficial** Beer of Halloween'. Regionally, we support local brands through sponsorship of events including the New Forest Show, the Henley Regatta and the Keswick Jazz Festival.

Future growth is targeted through continued developments in the off-trade; the export market; and the provision of brewing, packaging and distribution services to third parties.

Tapping into craft beer

Whilst the overall beer market continues to decline, more premium formats of beer including cask ales, world lagers and craft beers continue to grow and deliver opportunities for value and margin growth. This is fuelled by consumers moving away from mass market and commodity beers and looking for products that deliver more of a premium experience on their beer drinking occasions for which they are prepared to pay a premium.

Our annual drinker survey revealed that these consumers define craft beers as being in limited distribution, produced from smaller regional and less well known international brewers, with a dedication to ingredients and craftsmanship, delivering more taste and flavour.

These findings have led to the development of a portfolio offering of premium draught and bottled craft beers to complement our core range of premium cask and bottled ales.

We have launched our own craft beer brand platform with the Revisionist beer series. This gives the brewing teams at each of our regional breweries the opportunity to raise their profile through the production of their own interpretations of classic and contemporary beer styles and provides the consumer with different beer drinking experiences.

We have also established a strategic alliance with the Shipyard Brewing Co. to produce collaboration beers that allow us to brew and distribute their beers in the UK.

In the latter part of 2013 we also agreed a partnership contract with Heineken International (headquartered in Amsterdam) to be their exclusive UK distributor for the Premium Czech beer brand Krusovice.

Craft beer is delivering a premium margin opportunity:

- Craft beers are growing at 77% volume and 83% value year on year[1]
- Select drinkers are prepared to pay an average premium of 33 pence per pint[2]

1 CGA Strategy Sept 2013.
2 Marston's Drinker Survey RBD research Sept 2012.

Ralph Findlay
Chief Executive Officer

Andrew Andrea
Chief Financial Officer

"In 2013 we achieved good growth in turnover and operating profit despite significant challenges. This reflects our unstinting focus on what our customers want: excellent service and value for money in high quality pubs and bars. In 2013 we served 30 million meals, with food now the principal reason for around 80% of customer visits in our Destination pubs.

Looking forward we will accelerate our high-return new-build programme whilst increasing the level of disposals from our lower turnover wet-led pubs. We have made an encouraging start to the new financial year and remain confident that our proven strategy is aligned to the underlying trends in the sector."

2013 performance summary

Our performance in the second half year was strong after a challenging first half year affected by poor weather. The contrast between the two periods was significant: compared to the prior year underlying operating profit declined by 1.5% in the first half but increased by 12.6% in the second. Good trading momentum has continued into the new financial year.

Revenue increased by 8.8% to £782.9 million, with growth in Destination and Premium, Taverns and Brewing and the benefit of a 53rd trading week.

Underlying operating profit increased by 6.6% to £168.3 million, with growth in Destination and Premium and in Brewing. Operating profit in Taverns was below last year principally due to a significant level of disposals, poor weather in the first half year and a more subdued performance in our tenanted pubs in line with market trends, mostly offset by growth in our managed and franchised pubs.

Operating margin of 21.5% was 0.4% below last year. We achieved higher operating margins in Destination and Premium as a consequence of opening new-build pub-restaurants with higher profit conversion (25 in 2012 and 22 in 2013) and in Leased as a consequence of reduced temporary management costs and tighter cost control. This was offset by the conversion of pubs from tenancy to a franchise model within Taverns (around 600 at the year end, compared to around 500 last year), and a higher off-trade sales mix in Brewing.

Underlying profit before tax of £88.4 million was up 0.7% (2012: £87.8 million) despite the anticipated higher interest costs. These were due principally to contractual increases in securitised interest – these have now peaked and securitised interest costs abate from financial year 2014 onwards.

Underlying earnings of 12.3 pence per share (2012: 12.3 pence per share) were in line with last year.

Net debt at the year end excluding lease financing was lower at £1,082 million (2012: £1,121 million); debt to EBITDA on the same basis reduced to 5.3 times (2012: 5.6 times) reflecting the benefit of lease financing of £109 million arranged during the year.

We continue to make good progress on improving returns with Cash Return On Cash Capital Employed (CROCCE) having improved to 10.8%, representing an increase of 1.2% since 2010.

The proposed final dividend of 4.1 pence per share, giving a total dividend for the year of 6.4 pence per share, represents a 5% increase compared to 2012. Dividend cover was 1.9 times (2012: 2.0 times). Our dividend policy is to target progressive increases in dividend, at a cover of around two times in the medium term.

Current trading

We have seen an encouraging start to the new financial year. In Destination and Premium, like-for-like sales in the seven weeks to 23 November increased by 3.1%, with food sales growth of 4.6%, and wet sales up by 1.0%. We have opened seven new pub-restaurants to date. In Taverns, like-for-like sales in managed and franchised pubs are up 2.1% and tenanted profits are in line with expectations. In Leased pubs profits are in line with last year and in Brewing our beer brands are performing in line with our expectations.

	Revenue		Underlying operating profit		Margin	
	2013 £m	2012 £m	**2013 £m**	2012 £m	**2013 %**	2012 %
Destination and Premium	**349.2**	306.1	**70.3**	56.8	**20.1**	18.6
Taverns	**250.8**	241.6	**69.5**	73.2	**27.7**	30.3
Leased	**55.6**	58.3	**26.0**	26.0	**46.8**	44.6
Brewing	**127.3**	113.7	**16.9**	16.4	**13.3**	14.4
Group Services	**–**	–	**(14.4)**	(14.5)	**(1.8)**	(2.0)
Group	**782.9**	719.7	**168.3**	157.9	**21.5**	21.9

Destination and Premium

Total revenue increased by 14.1% to £349.2 million reflecting the continued strong performance of our new-build pub-restaurants, growth in like-for-like sales and the benefit of the 53rd trading week. Underlying operating profit of £70.3 million was up 23.8% (2012: £56.8 million). Average profit per pub increased to £207,000, up 11.9%.

Total like-for-like sales were 2.2% above last year, with growth in the second half year of 4.1%. Like-for-like food sales were up by 3.9% through a combination of volume growth and increased sales of starters, desserts and coffee which contributed to a 27 pence increase in spend per head. In Destination pubs, food now accounts for 56% of total sales (2012: 54%) and in Premium pubs and bars food is 25% of sales (2012: 24%).

Like-for-like wet sales increased by 0.2%, outperforming the declining UK on-trade drinks market. We continue to see growth in more premium products, with premium cask ale volumes up 9% and premium lager up 11%. Wine sales increased by 13% and now account for 24% of drinks sales (2012: 22%).

We achieved a 1.5% improvement in operating margin through moderate price increases and tight cost control.

Taverns

Total revenue increased by 3.8% to £250.8 million reflecting the increased revenue contribution from more pubs operating under the franchise model. Underlying operating profit was £69.5 million, a decrease of 5.1%, principally reflecting a significant level of disposals, poor weather in the first half year and a more subdued performance in our tenanted pubs in line with market trends. Average profit per pub is in line with last year.

In our managed and franchised pubs like-for-like sales were in line with last year and operating profits were up 3.7%, reflecting the continued success of pubs operating under the franchise model.

Tenanted like-for-like operating profits were down 7.7% in the period, an improvement on the decline in the first half, reflecting the continued challenges facing small wet-led tenanted pubs in the current market and representing a relatively subdued performance given the better weather in the second half year.

Operating margin was 2.6% below last year at 27.7%, primarily due to the conversion of pubs, which were formerly tenanted, to franchise models. These agreements generate increased profit but the operating margin percentage is reduced as a consequence of accounting for sales at full retail value.

Leased

Total revenue decreased by 4.6% to £55.6 million, principally reflecting lower volumes in line with the market. Underlying operating profit of £26.0 million was in line with last year. Average profit per pub increased by 2.1% to £67,000, and licensee stability remained high at 92%.

As with tenanted pubs, underlying measures of lessee 'health', including rent alleviations, improved during the financial year. Operating margin was 2.2% above last year at 46.8%, primarily due to a higher mix of rental income, and lower support costs.

Brewing

Total revenue increased by 12.0% to £127.3 million. Underlying operating profit increased by 3.0% to £16.9 million.

Overall ale volumes were up 6% on last year, with premium cask ale volumes up 4% and bottled ale volumes up 19%. We have maintained our position as 'category market leader', increasing our market share in each of these categories by over 1%. Hobgoblin saw growth of 16%, and is now our largest brand.

In the independent free trade, our account base increased by 3% to more than 3,800 customers, and premium ale sales to this sector increased by 6%. In the take home market we continue to perform very strongly with volumes up 18%.

Operating margin was down versus last year at 13.3%, reflecting the higher proportion of volume through the off-trade, which commands a lower margin percentage.

Capital expenditure and disposals

Capital expenditure was £150.8 million in 2013 (2012: £129.8 million), including the construction of 22 pub-restaurants. The principal reasons for the increase are: an additional £13.6 million on new-builds as we plan to accelerate the new-build programme for 2014 and 2015; and £7 million in respect of a new bottling line within Brewing which was originally intended to be funded through an operating lease. We expect that capital expenditure will be around £140 million in 2014, including around £80 million for the construction of 25-30 new pub-restaurants.

During the year we generated £46.2 million of cash from the sale of 130 pubs and other assets.

Financing

At 5 October 2013 the Group had a £257.5 million bank facility to May 2016, and the amount drawn down at 5 October 2013 was £191 million. Subsequent to the year end, this facility has been

extended to November 2018 on attractive terms. This facility, together with a long-term securitisation of approximately £1 billion and the lease financing arrangements described below provides us with an appropriate level of financing headroom for the medium term. The Group has sufficient headroom on both the banking and securitisation covenants and also has flexibility to transfer pubs between the banking and securitisation groups.

During the period, the Group entered into three new lease financing arrangements which have a net value of £108.6 million as at 5 October 2013. This financing is a form of sale and leaseback agreement whereby the freehold reverts to the Group at the end of the term at nil cost, consistent with our preference for predominantly freehold asset tenure. The agreements range from 35-40 years and provide the Group with an extended debt maturity profile at attractive rates of interest. Unlike a traditional sale and leaseback, the associated liability is recognised as debt on the balance sheet due to the reversion of the freehold.

Net debt excluding lease financing of £1,082 million at 5 October 2013 is a decrease of £39 million compared to £1,121 million at 29 September 2012. Operating cash flow of £169.4 million remains strong driven by solid profits and tight control of working capital.

For the period ended 5 October 2013 the ratio of net debt excluding lease financing to EBITDA before exceptional items reduced to 5.3 times (2012: 5.6 times). It is our intention to reduce this ratio to below 5.0 times, principally through EBITDA growth generated from our new-build investment programme.

Pensions

Our final salary pension scheme at the year end showed a deficit of £5.1 million before tax (2012: £24.5 million).

Taxation

The underlying rate of taxation (before exceptional items) of 20.8% in 2013 is below the standard rate of corporation tax of 23.5% primarily due to credits in respect of deferred tax on property.

The underlying tax rate has increased by 0.4% from 20.4% in 2012.

Exceptional items

There are net exceptional charges of £11.4 million after tax. This primarily reflects reorganisation and non-core estate disposal costs of £10.8 million relating to the restructuring of our operations across the Group. The reorganisation is expected to generate around £3-4 million of annual underlying cost savings. Additionally there is an exceptional charge of £4.9 million in respect of the write-off of various items of cellar equipment no longer in use in the business, an exceptional charge of £6.4 million in respect of the recognition of the provision for repayment of refunds received relating to the Rank case, and an exceptional gain of £3.5 million in respect of the mark-to-market movement in the fair value of certain interest rate swaps. There is an exceptional tax credit of £7.2 million, of which £4.1 million relates to the items described above and £3.1 million relates to deferred tax in respect of the change in the rate of corporation tax.

KPIs

New-builds completed

Year	Value
2013	22
2012	25
2011	19

A significant element of our growth comes from the development of new pub-restaurants. The number we open has a significant impact on growth and cash flow; the targets for 2014 and 2015 are described on page 10.

CROCCE

Year	Value
2013	10.8%
2012	10.3%
2011	9.6%

Return on capital is a key driver of shareholder value and reflects progress made on investments, disposals, and the profitability of our core estate.

Free Cash Flow

Year	Value
2013	£85.6m
2012	£92.4m
2011	£112.6m

Free Cash Flow is a measure of cash generated and available to reinvest in the business; to return to shareholders in the form of dividends; and to repay debt.

Earnings Per Ordinary Share[1]

Year	Value
2013	12.3p
2012	12.3p
2011	11.2p

EPS is a widely used profitability and valuation measure.

Employee satisfaction

Year	Value
2013	81%
2012	77%
2011	No survey carried out

We are a service business and we recognise that high employee satisfaction leads to better customer satisfaction and enhances our reputation when recruiting new people.

CO_2 emissions per £100,000 of turnover

Year	Value
2013	14.82
2012	12.77
2011	13.64

We set CO_2 emissions targets as part of our environmental responsibilities and to better manage energy usage against a background of rising energy costs and taxes, including the Carbon Levy.

Waste recycling %

Year	Value
2013	79.1%
2012	73.1%
2011	75.7%

We target increased levels of recycling as part of our environmental responsibilities and to reduce costs and levies.

[1]Before exceptional items

At Marston's, Corporate Social Responsibility (CSR) is more than just being aware of our impact on the environment. It is also about the development of our employees, how we relate to our customers, and our relationships with suppliers and the local communities that we serve.

Corporate Responsibility Report

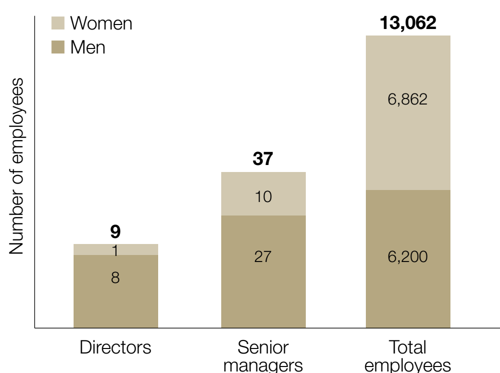
Marston's approach on CSR is overseen by the Corporate Social Responsibility Committee chaired by the Corporate Risk Director. The Committee has responsibility for the implementation of the CSR agenda and reports progress to the Board.

Our Corporate Responsibility Report is available for download at www.marstons.co.uk

Employees are Marston's most vital ingredient

- Marston's has around 13,000 employees in its pubs, brewery operations and head office.
- 53% of our employees are female.
- 35% of all our managers in pubs, brewing and head office are women.
- More than half of our employees work flexible hours, typically around other work commitments, study and to care for family.
- Half of our employees are under the age of 25 – for many working at Marston's is their first job.
- Our youngest employee is 16 years old and our oldest is 86 years old.

Gender diversity



We want to give all our employees the opportunity to make progress at Marston's. We take pride in the fact that many of our licensed retail managers, area managers and senior managers started their careers working in our pubs, or joined us straight from school or university. The diversity of our business allows employees to move between different roles and trading activities.

New jobs:
In 2013 we created over 1,000 jobs through our new-build pub programme, providing many job opportunities for the local communities within which our pubs are built, as well as development opportunities for existing employees.

Employees in our pubs

The Marston's Pub Career Path is our key development tool to support and encourage new pub-based employees to gain the skills required to do their jobs. It provides a job specific induction programme, as well as e-learning modules covering licensing, food safety, health and safety, fire awareness and first aid. From October 2013 our fire marshal training has also moved online.

The Marston's Pub Career Path also provides:

- The Chef Development Programme which provides and supports the development of our kitchen teams into Line Chefs, Second Chefs and Head Chefs.
- The Keyholder Development Programme for our front-of-house teams which develops supervisors and assistant managers.
- The Deputy Manager Programme which develops future licensed retail managers.
- Apprenticeship opportunities.

This year our managers and team members undertook over 32,000 online courses, plus a further 2,700 classroom-based courses covering topics such as team management, fire marshal training and financial skills.

Employee Engagement:
The 2012 Employee Engagement Survey – which covers all employees, including those in pubs – confirmed the huge commitment of our staff and their support for the Company. As a result of the survey action was taken to improve our reward and incentive programmes, including our long service awards, as well as the enhancement of our internal communication through newsletters.

"We are committed to creating real jobs within the hospitality and leisure industry. Our Pub Career Path ensures clear routes for progression are visible to everyone, and demonstrates how employees can develop within the business. Our experienced People Development Team is there to give our people the skills and confidence needed in our business."

Cheryl Evans – Human Resources Director – Pub Operations

Graduates and school leavers

We run a Corporate Graduate Programme providing opportunities across our head office and brewing and logistics operations. This summer we launched a Pub Graduate Programme to provide opportunities to those who have recently completed a degree and are interested in running their own pub business. We recognise the importance of supporting work experience initiatives and provide opportunities for people to gain a practical insight into different areas across the business. In 2014 we will be launching a School Leavers programme designed specifically to support those leaving school looking for their first opportunity to gain skills, learn and complete a qualification at work.

"Modern apprenticeships are valuable to our employees and to the business. We have been able to map our internal development programmes across to apprenticeships so that as employees work through Keyholder and Chef Development Programmes they also complete an apprenticeship qualification."

Suzanne Harrison – Head of People Development – Destination

Giving young people a solid start to their working life

With over half of our employees below the age of 25 we consider it our responsibility to enhance the skills of these individuals and provide them with the chance to build a career. We do this through our head office development programmes and the Marston's Pub Career Path.

In the last three years we have had over 1,000 employees complete a Modern Apprenticeship/NVQ and currently have over 400 working to complete these qualifications. Employees are able to complete Modern Apprenticeships or Advanced Modern Apprenticeships in a range of areas including customer service, team leading and food and drink service.

We offer apprenticeships to all pub employees, no matter what their age or current role and we work in partnership with Babcock Training to deliver this comprehensive training programme. Apprenticeships are not exclusive to head office and pub employees but are also available to our franchisees, lessees and tenants – and their teams too.

We promote Modern Apprenticeship availability and take part in the annual Apprenticeship week. Suzanne Harrison, our Head of People Development (Destination), is an East Midlands Apprenticeship Ambassador and is involved in supporting the continued development of apprenticeships within the UK.

Graduate development programmes have been part of our business for well over 20 years. Through those programmes we have developed many aspiring managers within our business, who now work in a wide variety of areas in the business including Operations, Estates, HR, Production and Finance. Training is delivered through structured development programmes, including a CMI level 5 qualification, and further education training. All this is supported by our coaching and mentoring programmes. In Summer 2013 we enhanced our graduate offer through the launch of our first Pub Graduate programme. This is an extension to our Pub Career Path that aims to develop future pub managers and, in the longer term, trainee Area Operations Managers.

Supporting the development of young people is not exclusive to our employees; we recognise our role in providing opportunities through work experience within our head office. Recently we have been involved in the 'Feeding Britain's Future' initiative providing real experience for those looking to develop their skills in a practical workplace environment. Longer-term placements are also available to university students looking for a year in industry.

In the year ahead we will be expanding the opportunities available to young people through the launch of a new School Leavers programme. The aim of the programme is to provide apprenticeship opportunities for under 18s and a 'Junior Managers' scheme for those over 18. This scheme will focus on the ongoing development of school/college leavers who do not intend to go to university but instead wish to develop and gain qualifications in a practical work environment.

"The steps we take to develop our under 25s are an important part of our talent development strategy, and will provide Marston's with future talent capable of supervisory and management roles needed to support our continued growth strategy."

Cheryl Evans, Human Resources Director – Pub Operations

Management development

We offer a wide range of structured career development opportunities ensuring that employees have the opportunity to develop their careers.

Marston's achieved an industry first in being accredited to run the British Institute of Innkeeping's multi-site retail management course. The aim of this training is to provide our Area Operations Managers with the professional skills necessary to support our tenants in developing their own businesses.

We run a wide range of professional development programmes accredited by the Chartered Management Institute (CMI). Marston's has run over 200 CMI courses in the last four years for employees, who have achieved qualifications ranging from introductory Level 2 awards through to the academically demanding Level 5 programmes. We also launched the CMI coaching and mentoring qualification in order to enhance and expand these skills within our business.

Within our head office we offer a range of professional qualifications including accounting (CIMA), surveying (RICS), marketing (CIM) and personnel (CIPD) as well as degree and diploma programmes. This year within our brewery operations we sponsored Brewing Diplomas, Master Brewing qualifications, HGV and Chartered Institute of Logistics and Transport programmes.

Here are a few examples of community events which just one of our breweries, Jennings, has been involved with this year:

Jennings Family Fun Day – this annual charity event held at the brewery in Cockermouth receives fantastic support from the local community, who come along and join in the fun on the day and take a tour of the brewery. This year we raised £1,000 for the Motor Neurone Disease Association North & West Cumbria branch.

The World's Biggest Liar Competition – the internationally renowned contest dates back to the 19th Century and is held at the Bridge Inn, Santon Bridge, Cumbria. The most outrageous tales are celebrated in one of the most original competitions of all time. Last year's winner Jack Harvey claimed that he had studied the genetics of a Cumbrian person and found them to be 2% badger, as observed by the way they eat their food and other mannerisms… definitely not true!

Keswick Jazz Festival – Jennings was once again the sponsor of the 22nd Jennings Keswick Jazz Festival in May. Despite the rain there were plenty of visitors who could enjoy some Jennings real ales whilst listening to the many worldwide jazz acts in the various venues around Keswick. Our Jennings stall was in the Market Place offering the visitors a sample of our Cumberland Ale and selling merchandise and gifts for them to take a taste of Jennings home with them.

Marston's at the heart of the community

Much has been written about the contribution that pubs make to communities and to British culture – not just as places to socialise and celebrate but as local employers, supporters of local suppliers, and the hub of local sports teams.

One of the ways we demonstrate our support for the role of pubs in communities is through our financial support for 'Pub is The Hub', a not-for-profit organisation specialising in the diversification of pub activities to provide a wider range of services and amenities locally, particularly in rural communities, for example, shops and libraries.

Many pubs are also the focus of fund raising for charities, and Marston's is involved in two directly funded bodies – the Marston's Employee Charity Fund and the MIT Charitable Trust. Both involve match funding from Marston's PLC and contributions from employees which totalled over £40,000 in 2013.

Active since 1980, the Charity Fund provides equipment for hospitals, schools and individuals with special needs, with a preference for donating smaller items more often rather than large items. The Committee comprises current and retired employees and recent donations include an electric wheelchair, a computerised display for training brain-damage victims, a blood oximeter and a tilting chair for stroke victims.

The MIT Charitable Trust helps to fund causes promoted in local pubs, adding to money raised by customers.

Our breweries are also important in the context of their communities. As with pubs, they contribute in particular to rural employment – the vast majority of the hops and barley we use in brewing is sourced in the UK. Our brewing strategy places a premium on being local with our breweries being involved in a wide range of local events across the country. Examples include sponsorship of the New Forest Show (Ringwood); music sponsorship of Metal 2 The Masses (Hobgoblin); the Banks's Brewery 10k run in Wolverhampton; The Jennings River Ride and Jennings Brewery Charity Fun Day supporting MNDA; and the 'Tour de Marston's' cycle ride with the Steve Bull Foundation helping terminally ill children.

Marston's responsibility in relation to alcohol

Marston's recognises that excessive drinking can be harmful to health and has social consequences. There is a heightened level of responsibility expected of us because we brew beer and sell alcohol.

We are committed to the responsible retailing of alcohol and supportive of a range of measures, including education, to encourage the responsible consumption of alcohol.

Reduction in alcohol strength

In 2013 we reduced the ABV (alcoholic content) of several of our key brands:

- Marston's Pedigree (bottled) – from 5.0% to 4.5%
- Boondoggle – from 5.0% to 4.4%
- Old Thumper – from 5.6% to 5.1%

These reductions demonstrate that our undertakings within the Government's Public Health Responsibility Deal (see responsibilitydeal.dh.co.uk) to reduce alcohol units, are backed up by effective actions.

How our beers are marketed

Marston's is a signatory to the Portman Code which lays down minimum expected standards for alcohol marketing practices. The full Code can be read at www.portmangroup.org.uk

Informing our customers
Alcohol is consumed responsibly by millions of people in the UK, however we recognise that more can be done to protect those at risk from alcohol. Marston's has been a consistent supporter of Drinkaware, an industry backed Trust, since its inception.

Drinkaware aims to influence consumers' drinking through a variety of media:
- advertising campaign – "why let good times go bad",
- the Drinkaware website www.drinkaware.co.uk, including the alcohol unit tracking tool MyDrinkaware, and
- support for other charities working with young people and parents, and sponsoring educational programmes.

Our bottled and canned beers are labelled with unit content, UK Health Department limit guidelines and information on Drinkaware.

Licensing objectives and the law
Government regulation of the pub industry includes a requirement to meet several licensing objectives:
- the prevention of crime and disorder,
- public safety,
- prevention of public nuisance, and
- the protection of children from harm.

In Scotland there is a further objective:
- protecting and improving public health.

All licensees and key operational management are expected to understand and promote these objectives in the course of business.

Marston's responsibilities in pubs
- All of our managed pubs operate Challenge 21. This year over 300,000 challenges were made by our staff requesting acceptable proof of age.
- We use an independent test purchase service to check compliance with the law on underage drinking.
- All our retail staff complete e-learning training on drug and alcohol abuse and the identification of underage drinkers.
- None of our pubs operate 24 hour licences.
- We expect our managers to play an active part in local Pubwatch and Best Bar None initiatives.
- Our tenants and lessees are supported by a dedicated hotline regarding licensing matters.

"Marston's strong adherence to the licensing objectives is key to our reputation. Protection against alcohol harm is a cornerstone within our staff training, which we will continue to test internally in order that this remains the highest priority."

Steve Oliver – Operations Director – Destination

How Marston's encourages healthy eating

Growth in the informal dining market is a key objective of our strategy. We believe that our responsibility in relation to healthy eating is satisfied through the provision of options that allow our customers to make healthier choices and through the commitments we have made through the Public Health Responsibility Deal.

Public Health Responsibility Deal and food:
- In 2013 we reduced salt in our meals by 15% across 65% of our existing ingredients compared to 2010.
- Our meals do not contain artificial trans-fats or hydrogenated fat and oils.
- All new products meet salt targets set by the Public Health Responsibility Deal.
- No salt is added to chips.

A full list of Marston's commitments can be seen at https://responsibilitydeal.dh.gov.uk/

And, in addition:
- Sausages are grilled rather than fried.
- All meals are free from genetically modified ingredients and monosodium glutamate.
- We introduced gluten free bread in 2013, and in 2014 we will review allergen information further, including intolerance causing products.

We have offered lower calorie options for some years, including a below 500 calorie list of menu items, and will keep the further provision of calorie information under review. The number of calorie counted dishes served with 500 calories or below was approximately 0.5 million (up 66% on last year).

In total we spent £83 million on food in 2013. All our food suppliers are either British Retail Consortium approved, complete a self-audit or are audited independently. We have approximately 120 food suppliers delivering 900 lines of food. In 2013 Marston's won the MIDAS award (for menu innovation and development) for Best Dessert Menu and Best Neighbourhood Pub Menu.

"Marston's has responded to increasing demand for information on the ingredients in our meals, particularly regarding salt content and calories. We are satisfied that our menus clearly indicate the more healthy options which customers can select."

Ruth Powell – Group Compliance Manager for Food and Licensing

Marston's responsibility for safety

The health and safety of our employees, customers and the general public is treated with the utmost importance. Information on accident rates, compliance and audit scores is reviewed by the Board for all areas of the business. A description of our health and safety systems together with our policy is available at www.marstons.co.uk

We operate sophisticated electronic systems for incident recording, accident analysis and auditing, in order to better understand the nature of accidents occurring and to take the actions necessary to avoid them. For example this year we implemented a driver telematics system which tracks and measures how safely our drivers are operating in our commercial vehicles. The system has already contributed to an improvement in driver behaviour.

Our managed pubs are subject to an independent bi-annual external audit of hygiene, health and safety which impacts upon the evaluation of our licensed retail managers' performance. In total Charnwood Hygiene Associates carry out around 1,200 of these safety audits each year.

The safe operation of our pubs depends upon safety training, documented safety instructions, safe design and engineering, and established routines of safety inspection. All new staff are trained from the outset to ensure that a high degree of awareness of safety is sustained.

The operators of our tenanted, leased and franchised pubs are themselves primarily responsible for health and safety within their pubs. However, Marston's provides documentation and training on health and safety policy to help them carry out these responsibilities effectively.

Marston's Ready to Let (meeting our compliance obligations as a landlord):
Last year we introduced the Ready to Let policy into our franchised, tenanted and leased pubs. Ready to Let is intended to ensure that our pubs are legally compliant upon the commencement of a new agreement and that living areas provide suitable accommodation.

This process forms part of the Marston's Code of Practice. We completed over 250 Ready to Let projects in 2013.

Each of our breweries has a comprehensive quality control system, and all of our beers are tested to ensure they are of high quality. Our breweries are also audited by some of the supermarkets which we supply to. The breweries at Wolverhampton and Burton upon Trent are Grade A certified by the British Retail Consortium – the highest quality grade available.

"Our high audit scores demonstrate that safety is a key priority for us. However, we are not complacent and we will continue to strive for improvement. Our objective is to reduce accident and hygiene risks to the lowest level."

John Beerjeraz – Group Health and Safety Manager

How Marston's cares for the environment

Environmental considerations are important to Marston's, not least because brewing uses natural ingredients: water, barley, yeast, hops; and these contribute significantly to the distinctive character of our beers.

A comprehensive description of our environmental performance is included within our Corporate Responsibility Report which is available at www.marstons.co.uk

Energy usage:
Marston's has been investing for several years in engineering solutions for reducing electricity usage. In 2013 we reduced electricity usage in our managed pubs by 6% through initiatives including:

- LED lighting for all front-of-house areas in our estate including new pub-restaurants, major refurbishments and Pitcher & Piano;
- the use of outside ambient air to cool our cellars rather than air conditioning;
- voltage optimisation;
- heating control systems; and
- heat recovery systems.

In addition to engineering solutions we have continued our Take Control campaign to encourage our pub managers to actively seek to reduce energy consumption. The Take Control programmes include monitoring of performance, reporting usage against targets, the preparation and dissemination of operating procedures and practices to control energy use, awareness raising activities and training.

Fuel Type	CO_2e tonnes
Electricity & gas	101,809
Petrol & diesel	7,399
Refrigerants (brewery)	118
Total	109,326

Greenhouse Gas Emissions Intensity Ratio:

	2013	2012	2011
CO_2e tonnes per £100,000 of turnover	**14.82**	12.77	13.64

Note that:

- We have reported on all the measured emissions sources required under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.
- Data collected is in respect of the year ended 31 March 2013, being the period for which our carbon emissions are reported under the Carbon Reduction Commitment Energy Efficiency Scheme.
- Conversion factors for electricity, gas and fuel are those published by the Carbon Trust and Defra in 2013.
- Refrigerant fugitive emissions across our pub estate are not currently measured.
- Refrigerant fugitive emissions of R417a (non-ozone depleting HFC) from our breweries are not included in the total above due to the lack of a published conversion factor to tonnes of CO_2.

The increase in the CO_2e tonnes per £100,000 of turnover to 14.82 in 2013 is as a result of a combination of factors:

- last winter was unusually harsh thereby increasing the amount of gas consumed;
- an increased number of retail and franchise agreements, under which Marston's is responsible for the energy supply; and
- growth in food sales.

Water

During the year we have rolled out water management systems in the toilets of all of our managed pubs (PHS Flushwiser and Flowsaver); the full-year effect of this has yet to be determined. However, early indications are that the systems have significantly reduced water wastage.

Waste recycling

Our breweries recycle approximately 98% of waste, including used malt and hops being recycled as animal feed. We also dispose of other waste such as glass, metals, cardboard, paper and polythene through recycling contractors.

The majority of our managed and franchised pubs recycle dry waste, including glass and packaging. Last year we ran a pilot scheme with 66 of our managed pubs to recycle food waste and this has now grown to 290 pubs. Food waste is delivered to an anaerobic digestion plant that produces methane in order to generate power. Marston's has targeted itself with increasing the total kitchen waste recycled from managed pubs to 80% by 2015.

Marston's is a signatory to WRAP's Food and Hospitality Agreement which aims to reduce packaging waste in the hospitality industry and at the same time increase food recycling to 70% by 2015.

"Improving the environmental performance of our pubs is very much about engineering the right solutions for the premises. Our new-build and refurbishment programmes put us in an excellent position to design in these improvements from the outset. This year we are reviewing the design lessons learnt in our pubs to determine whether we can implement similar energy control measures in our breweries and depots."

Andy Kershaw – Group Facilities Manager

How Marston's ethically sources its supplies

Marston's seeks to work with suppliers who also adopt an ethical approach to human rights, working conditions and the environment in line with our own values:

- in 2012/13 we purchased 575 tonnes of fish secured from sustainable and ethical sources;
- we used 1.5 million litres of Prep High Performance cooking oil (73% of which has been recovered by our drays and recycled as transport fuel), and which supports the production of sustainable palm oil via the Green Palm trading programme; and
- we source 5,600 tonnes of chips from a supplier who uses the potato remnants for animal feed, fertiliser and renewable energy.

Current examples of our suppliers' ethical approach:

DS Smith – supplier of packaging used by our delivery operations – makes a major contribution to conserving resources and reducing landfill waste through its position as the leading UK collector of waste paper for recycling and as the UK's largest producer of recycled paper.

The corrugated and plastic packaging products are made by DS Smith from recycled raw materials wherever it is practicable. It is fully recyclable and approximately 80% of all corrugated packaging used in the UK is again recycled.

Leisurebench – supplier of our wooden garden furniture – is a member of the Leisure and Outdoor Furniture Association and participates in the 'Made Aware' scheme. This involves tracing timber sources and putting documentation in place to prove all timber used is from managed and sustainable forestry. Many of the products are FSC (Forest Stewardship Council) certified.

100% of Leisurebench's packaging used for Marston's products is compressed and recycled.

"Our customers have a right to expect that our supply chain is founded on ethical principles and that Marston's has taken all reasonable steps to accomplish this; our Group buying and tendering arrangements are designed to achieve this by ensuring we have a good knowledge of our suppliers' working practices, care for the environment and policies on sourcing sustainable natural resources."

Colin MacKenzie – Group Purchasing Manager

Marston's adopts a formal risk identification and management process designed to ensure that risks are properly identified, prioritised, evaluated and mitigated to the extent that is possible. Risk management is embedded in the operations of the business.

Business operations maintain risk registers compiled and monitored by the Corporate Risk Director. The Audit Committee reports to the Board on the risk management process, including on matters of internal audit and the evaluation of potential impacts, both financial and reputational.

The following risks are, in the opinion of the Board, the principal risks which affect Marston's. It is not intended to be a complete analysis of all risks and may change over time.

Economic

Factor

- Future economic uncertainty: we rely upon the spending capacity of our customers. The basic cost of living could continue to increase at a faster rate than incomes.

Risk

- The outlook for economic growth in the UK has improved but remains low and a fall in consumer confidence may impact upon our sales, and our investment plans.

Impact

- Customers could spend less on our products and services.
- Forecasting and investment returns may become more uncertain.

Strategic objective

- Maximise the return on investment.
- Pub disposal programme.
- Investment in new pub-restaurants.
- Reduction in leverage.

Mitigation

- Maintaining value-for-money consumer proposition.
- Customer choice, flexible pricing options.
- Competitive offering.
- High standards of service and quality.
- Consumer trends analysis supports the view that eating out remains resilient despite difficult economic conditions.
- Range of pub brands and formats to meet customer expectations.
- 'F-Plan'.

Investment plans

Factor

- Increased competition for development sites for building new pub-restaurants.

Risk

- Investment plans do not meet return targets.
- A reduction in the availability of quality sites for investment.

Impact

- The programme of building new pub-restaurants may be slowed.
- Corporate growth targets may not be met.

Strategic objective

- Maximise profit growth and development of a high value property estate.

Mitigation

- In-house property development team with proven experience in delivering new-build projects.
- Expert understanding of planning legislation.
- In-depth knowledge of site availability.
- Maintain pipeline of new sites for future years.

Financial covenants

Factor

- Lenders expect that Marston's can repay capital and interest on time and operate within stated covenants.

Risk

- Breach of financial covenants.

Impact

- Breach of covenants could result in additional financial operating restrictions being imposed on the business.
- Potential loss of reputation amongst investors.

Strategic objective

- Financial security.
- Protect reputation.
- Business financed at rates of interest that allow profit to be generated to provide further growth.

Mitigation

- Sophisticated accounting systems.
- Constant monitoring of financial ratios.
- Company strategy, business plans, acquisitions and project development built upon the preservation of corporate financial covenants.
- Annual audit by external Auditors.
- Flexibility to transfer pubs between banking and securitisation groups.

Accounting controls

Factor
- The financial systems of the Group must handle large numbers of transactions securely and ensure that transactions are properly recorded.

Risk
- Breakdown of internal accounting controls leading to material financial misstatement.

Impact
- Potential loss of investor confidence.
- Reputational damage may occur.
- Some financial loss.

Strategic objective
- Safeguard the assets of the business.
- Secure investor confidence.

Mitigation
- Sophisticated accounting systems and controls.
- Thorough year-end audit.
- Regular management accounts by operating area.
- Detailed annual budgets and forecasts.
- Segregation of duties.
- Levels of authority over the approval process for transactions.
- Well established IT systems in pubs and in head office.

Information technology

Factor
- Marston's is heavily reliant upon IT networks to process transactions, conduct operations at ground level and report on results.

Risk
- External interference in the computer system (cyber risk).
- Compliance with the Digital Economy Act 2010 and security of data.
- Disaster recovery of backed up data taking longer than four hours.

Impact
- Significant disruption could be caused to the daily trading operations of the Group.

Strategic objective
- A stable IT environment that allows the Group to conduct its operations with a high degree of efficiency and speed without disruption.
- Protect sensitive data, particularly that which is commercially damaging if openly available.

Mitigation
- Anti-virus and firewall protection.
- Constant vigilance and monitoring threats posed by hacking, breach of access controls and viruses.
- Physical protection of servers and networks.
- Backup procedures and continual monitoring regarding the integrity of data and rehearsal of recovery procedures.
- Business continuity plans.
- Access controls/passwords.

People

Factor
- Increased demand for high calibre people, particularly licensees.

Risk
- Failure to attract and retain the best people.

Impact
- Marston's may not meet its financial targets.

Strategic objective
- A stable and experienced employee base will allow the Group to better achieve its strategic priorities.

Mitigation
- Comprehensive induction and training programmes.
- Regular capability reviews and development programmes.
- Career path supported.
- An ongoing programme of engagement surveys with employees.
- Range of flexible agreements with our tenants and franchisees.

Regulatory

Factor
- The Group is subject to many different areas of regulation due to the diversity of its operations. Significant areas include alcohol retailing, licensing, food hygiene, health and safety, competition law, environment and property law.

Risk
- There is a risk that more regulation may significantly affect our business operations.

Impact
- Increase in taxation could reduce profitability.
- Further regulation could restrict our licensees in operating their pubs in a sustainable manner.

Strategic objective
- Operating a sustainable and profitable business model.

Mitigation
- Training and monitoring programmes for all our pub operators.
- External auditing of compliance to current legislation including health and safety, and food safety.
- Compliance Committee to register and monitor legal compliance.
- Active consultation with Government, trade bodies and the BBPA.
- Our Code of Practice developed to bring greater transparency to the relationship with our tenants.
- Comprehensive health and safety management system.

DIRECTORS

Roger Devlin
Chairman

Ralph Findlay
Chief Executive Officer

Andrew Andrea
Chief Financial Officer

Robin Hodgson
The Lord Hodgson of Astley Abbotts CBE
Non-executive Director

Rosalind Cuschieri
Non-executive Director

Name	Position	Length of service on Board (as at 5/10/2013)	Independent	Public company experience	Operational experience
Roger Devlin	Chairman	1 month	✓	✓	–
Ralph Findlay	Chief Executive Officer	17 years	–	–	✓
Andrew Andrea	Chief Financial Officer	4 years and 6 months	–	–	✓
Robin Hodgson	Non-executive Director	11 years	✓	–	–
Rosalind Cuschieri	Non-executive Director	7 years	✓	✓	✓
Robin Rowland	Non-executive Director	3 years and 1 month	✓	–	✓
Peter Dalzell	Managing Director of Marston's Inns and Taverns	1 year	–	–	✓
Neil Goulden	Non-executive Director	5 years and 6 months	✓	✓	✓
Nick Backhouse	Non-executive Director	1 year and 8 months	✓	✓	✓
Anne-Marie Brennan	Company Secretary				

Robin Rowland
Non-executive Director

Peter Dalzell
Managing Director Marston's Inns and Taverns

Neil Goulden
Non-executive Director

Nick Backhouse
Non-executive Director

Anne-Marie Brennan
Company Secretary

Retail experience	Finance experience	Government/ regulatory experience	Curriculum Vitae
✓	✓	–	• Chairman of Gamesys, SIS and Porthaven Nursing Homes • Independent Non-executive Director of the Football Association • Previously a Non-executive Director of National Express and RPS Group
✓	✓	✓	• Appointed to the Board as Finance Director in 1996 becoming CEO in 2001 • Qualified Chartered Accountant and Treasurer • Previous roles held at Geest Plc and Bass Plc
✓	✓	–	• Joined the Company in 2002 • Qualified Chartered Accountant • Previous roles held at Guinness Brewing Worldwide and Bass Brewers Limited
–	✓	✓	• Senior Independent Non-executive Director • Chairman of Nova Capital Limited and RFIB Group Limited • Director of Johnson Brothers & Co Limited
✓	–	–	• Chief Executive of Genius Foods Limited • Former Commercial Director of Warburtons Limited • Previously responsible for off-trade marketing at Scottish & Newcastle Plc
✓	–	–	• Chief Executive of YO! Sushi Limited • Supervisory Board Non-executive Director at Caffe Nero Group Limited • Previous roles held at City Centre Restaurants Plc and Scottish & Newcastle Plc
✓	–	–	• Joined the Company in 1995 following roles as a licensee and pub company operator • Previously Operations Director for Marston's Inns and Taverns • Chairman of MIT Charitable Trust
✓	✓	✓	• Chairman of The Responsible Gambling Trust and Access Sport • Member of The Low Pay Commission • Previous roles at Gala Coral Group, Compass Group Plc and Chef & Brewer
–	✓	✓	• Senior Independent Director of Guardian Media Group plc • Qualified Chartered Accountant • Previous senior management positions in the pub, leisure and financial sectors
			• Appointed Company Secretary in 2004

The Directors present their report and audited financial statements of the Group for the period ended 5 October 2013.

Corporate governance statement

The corporate governance statement as required by the Disclosure and Transparency Rules 7.2.1 is set out on pages 30 to 37 and is incorporated by reference into this report.

Greenhouse gas emissions

The Strategic Report on pages 1 to 25 includes the greenhouse gas emissions disclosures required by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. This information is incorporated by reference into (and shall be deemed to form part of) this report.

Research and development

In-house research and development is undertaken alongside work with the British Beer and Pub Association (BBPA) and Brewing Research International.

Capital structure

Details of the Company's issued share capital and of the movements during the year are shown in note 27 to the financial statements on page 93. The Company has one class of ordinary shares and one class of preference shares. On a poll vote, ordinary and preference shareholders have one vote for every 25 pence of nominal value of ordinary and preference share capital held in relation to all circumstances at general meetings of the Company. The issued nominal value of the ordinary shares and preference shares is 100% of the total issued nominal value of all share capital.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 26 to the financial statements on pages 91 to 93. Where shares are held on behalf of the Company's share schemes, the trustees have waived their right to vote and to dividends.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Under the Articles of Association, the Directors have authority to allot ordinary shares subject to the aggregate set at the 2013 Annual General Meeting (AGM). The Company was also given authority at its 2013 AGM to make market purchases of ordinary shares up to a maximum number of 57,100,927 shares. Similar authority will again be sought from shareholders at the 2014 AGM.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles may be amended by special resolution of the shareholders. The powers of the Directors are further described in the Corporate Governance Report on pages 30 to 37.

Change of control

There are a number of agreements that take effect after, or terminate upon, a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Major interest in Company's shares

Notifications of the following voting interests in the Company's ordinary share capital had been received by the Company (in accordance with Chapter 5 of the FCA's Disclosure and Transparency Rules and section 793 Companies Act 2006) as at 5 October 2013 and 26 November 2013:

Ordinary shares of 7.375p each

Shareholder	As at 5 October 2013	% of voting rights	As at 26 November 2013	% of voting rights
Schroders Plc	**37,472,188**	6.55%	39,449,916	6.89%
Dimensional Fund Advisers	**24,350,845**	4.26%	24,369,840	4.26%
The Capital Group Companies, Inc	**20,448,705**	3.57%	20,448,705	3.57%
Rathbone Investment Management	**20,356,716**	3.56%	20,480,023	3.58%
Henderson Global Investors Ltd	**19,276,419**	3.37%	17,369,753	3.03%
Legal and General Investment Management Ltd	**17,971,730**	3.14%	17,946,982	3.14%

The Company also discloses the following information, obtained from the Register of Members, for the preference shares:

Preference shares

Shareholder	Number	Percentage of voting rights
Fiske Nominees Ltd	34,048	45.39%
Mrs HM Medlock	10,407	13.87%
George Mary Allison Ltd	5,500	7.33%
Mr PF and Dr K Knowles	4,356	5.80%
Mr GAL Southall and Mr N Aston	2,855	3.80%
Mrs H Michels	2,750	3.66%
Mr R Somerville	2,750	3.66%

Dividends on ordinary shares

An interim dividend of 2.3 pence per ordinary share was paid on 1 July 2013. The Directors recommend a final dividend of 4.1 pence per ordinary share to be paid on 3 February 2014 to shareholders on the register on 20 December 2013. This would bring the total dividend for 2012/13 to 6.4 pence per ordinary share (2012: 6.1 pence). The payment of the final dividend is subject to shareholder approval at the AGM.

Preference shares

The preference shares carry the right to a fixed cumulative preferential dividend at the rate of 6% per annum payable in June and December (£5,250 per annum). Further details are given in note 17 on page 82.

Directors

Biographies of the Directors currently serving on the Board are set out on pages 26 and 27.

Changes to the Board during the year are set out in the Corporate Governance Report on page 32. Details of Directors' service contracts are set out in the Directors' Remuneration Report on pages 44 and 45.

In accordance with the requirements of the UK Corporate Governance Code all Directors, with the exception of Lord Hodgson, will offer themselves for election or re-election at the AGM on 21 January 2014. Lord Hodgson has confirmed that, following the appointment of the new Chairman, he will retire from the Board following the 2014 AGM and so will not stand for re-election.

Insurance and indemnities

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against its Directors and Officers. In accordance with the Company's Articles of Association and to the extent permitted by law, the Company has indemnified each of its Directors and other Officers of the Group against certain liabilities that may be incurred as a result of their position within the Group. There are no indemnities in place for the benefit of the Auditors.

Employee Information

The average number of employees within the Group is shown in note 5 to the financial statements on page 74.

Apart from ensuring that an individual has the ability to carry out a particular role, we do not discriminate in any way. We endeavour to retain employees if they become disabled, making reasonable adjustments to their role and, if necessary, look for redeployment opportunities within the Group. We also ensure that training, career development and promotion opportunities are available to all employees irrespective of gender, race, age or disability.

Full details of arrangements relating to employees are described in the Corporate Social Responsibility report on pages 18 to 23.

Political donations

Our policy is not to make any donations for political purposes in the UK or to donate to EU political parties or incur EU political expenditure.

Financial instruments

The disclosures required in relation to the use of financial instruments by the Company together with details on our treasury policy and management are set out in note 20 to the financial statements on pages 84 to 87.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue as Auditors and their reappointment has been approved by the Audit Committee. Resolutions to reappoint them and to authorise the Directors to determine their remuneration will be proposed at the 2014 AGM.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The financial position of the Group is described on pages 16 to 17. In addition, note 20 to the financial statements on pages 84 to 87 includes the Group's objectives, policies and processes for managing its exposures to interest rate risk, foreign currency risk, counterparty risk, credit risk and liquidity risk. Details of the Group's financial instruments and hedging activities are also provided in note 20.

The Board has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements set out on pages 59 to 96 and 98 to 105 have been prepared on the going concern basis.

Events after the balance sheet date

Full details of significant events since the balance sheet date can be found in note 35 of the financial statements on page 96.

Annual General Meeting

The AGM of the Company will be held at Wolverhampton Racecourse, Dunstall Park, Wolverhampton, WV6 0PE at 12 noon on 21 January 2014. The notice convening the meeting, together with details of the special business to be considered and explanatory notes for each resolution, is distributed separately to shareholders. It is also available at www.marstons.co.uk, where a copy can be viewed and downloaded.

By order of the Board

Anne-Marie Brennan
Company Secretary
28 November 2013

Governance

CHAIRMAN'S MESSAGE ON CORPORATE GOVERNANCE

Dear Shareholder

Having recently been appointed as Chairman I can see that we as a Board, and a Company, take corporate governance very seriously, and consider that good conduct is the basis of good performance. The Board sets the tone for the rest of the Company.

Developing the skills of colleagues and providing opportunities for career advancement is central to our thinking. The Board also strives to improve its own performance. The Board evaluation is a key component of this and the assessments and outputs from this year's externally facilitated evaluation will further the development of the Board and improvements to performance.

Lord Hodgson has announced his intention to retire from the Board following the AGM and, on behalf of the Board, I would like to thank him for his contribution during the last 11 years, particularly as Chairman of the Remuneration Committee and as the Senior Independent Director. Neil Goulden will take up the role of Senior Independent Director and Chairman of the Remuneration Committee. Neil will remain a member of the Audit Committee but Nick Backhouse will be appointed as Chairman of that Committee. Both changes will be effective from the conclusion of the AGM. Further details on the Board's composition are given at page 32.

In this report we provide an overview of our corporate governance practices, describing how the main principles of the UK Corporate Governance Code are applied throughout the year. Information about the Board, its members and committees, and an overview of the Company's internal controls are all explained.

Roger Devlin
Chairman
28 November 2013

Corporate Governance Statement

The Board considers it has fully complied with the main principles of the UK Corporate Governance Code (the "Code") and its application is described here following the sections as set out in the Code.

A. LEADERSHIP

Role of the Board

The Board is collectively responsible to shareholders for the long-term success of the Company. The Board has met ten times this year, allowing it to effectively monitor the Company's progress against its strategic aims and within the risk management framework. A schedule of matters specifically reserved for the Board's decision is in place and can be summarised as follows:

- Strategy, management and budget matters.
- Capital structure, dividend policy and financial controls.
- Public and shareholder announcements.
- Internal controls and the identification, monitoring and management of risk.
- Major capital expenditure, asset acquisitions and disposals.
- Board and Committee membership and corporate governance arrangements.
- Remuneration of Directors and senior management.
- Policies, including ethics, health and safety, environmental, charitable and corporate social responsibility.

Roles and responsibilities

There is a clear division of responsibility between the roles of the Chairman and the Chief Executive Officer (CEO) which are set out in writing and agreed by the Board. The table below details the individual roles and responsibilities and also highlights the specific duties of our Senior Independent Director and Company Secretary:

Governance

Roles and responsibilities

Role of the Chairman	*Role of the Chief Executive Officer*
Roger Devlin is responsible for: • Ensuring each Non-executive Director makes an effective contribution to the Board through debate and discussion with the Executive Directors. • The effective operation, leadership and governance of the Board. • Ensuring effectiveness of the Board. • Setting the agenda, style and tone of Board discussions with a particular focus on strategic matters. • Ensuring the Directors receive accurate, timely and clear information.	Ralph Findlay is responsible for: • The performance of the Company in line with the strategies and objectives established by the Board and under powers delegated by the Board. • Ensuring the Board is supplied with information relevant to its strategic role. • Leading the Executive Directors and senior management in dealing with the operational requirements of the business. • Providing clear and visible leadership in business conduct.
Role of the Senior Independent Director	***Role of the Company Secretary***
Lord Hodgson is responsible for: • Being available to shareholders if they have concerns which contact through the normal channels of Chairman, CEO or other Executive Directors has failed to resolve or for which such contact is inappropriate. • Acting as a 'sounding board' for the Chairman and as an intermediary for the other Directors. • Leading the Non-executive Directors in their annual assessment of the Chairman's performance. • If necessary, leading discussions on the appointment of a new Chairman.	Anne-Marie Brennan is responsible for: • Under the direction of the Chairman, ensuring effective information channels within the Board and its Committees, and between senior management and Non-executive Directors, as well as facilitating induction activities for Directors and assisting with their development as required. • Advising the Board, through the Chairman, on all governance matters. • Administering the procedure under which Directors can, where appropriate, obtain independent professional advice at the Company's expense.

Non-executive Directors

The Chairman, who was independent on appointment, will meet with the Non-executive Directors at least annually without the Executive Directors being present.

The Non-executive Directors are encouraged to constructively challenge proposals on strategy, contributing to the development of the strategy in the long-term. The Chairman is responsible for setting the correct environment and atmosphere to allow this to take place, particularly through his experienced chairmanship of meetings and control of agendas.

Board and Committee meeting attendance

We have established Committees of the Board to deal with specific issues under the Code, each with its own terms of reference which are regularly reviewed and updated. Further information on each of these Committees can be found on pages 34 to 53. The table below shows each Director's attendance throughout the year:

Name	Board	Nomination	Audit	Remuneration
Andrew Andrea	10/10	–	–	–
Nick Backhouse	8/10	3/4	3/4	–
Rosalind Cuschieri	10/10	4/4	4/4	4/4
Peter Dalzell	10/10	–	–	–
Roger Devlin[1]	1/1	1/1	–	–
Ralph Findlay	10/10	4/4	–	–
Neil Goulden	10/10	4/4	4/4	4/4
Robin Hodgson	10/10	4/4	4/4	4/4
Robin Rowland	10/10	4/4	–	4/4
David Thompson[2]	9/9	3/3	–	–

1 Roger Devlin was appointed to the Board on 1 September 2013.
2 David Thompson stepped down from the Board on 31 August 2013.

B. EFFECTIVENESS

Board composition

As at the date of this report, our Board consists of nine Directors. In addition to the Chairman, Roger Devlin, there are five Non-executive Directors and three Executive Directors. Following David Thompson's indication that he intended to step down from the Board a sub-committee of the Board, led by Lord Hodgson, appointed the external agency KORN/FERRY Whitehead Mann who identified a suitable shortlist of candidates for the Nomination Committee's consideration. Roger Devlin was appointed as Chairman of the Board on 1 September 2013. Roger's extensive board experience and knowledge of the hospitality and leisure industries compliments the skills, experience and knowledge of the Board.

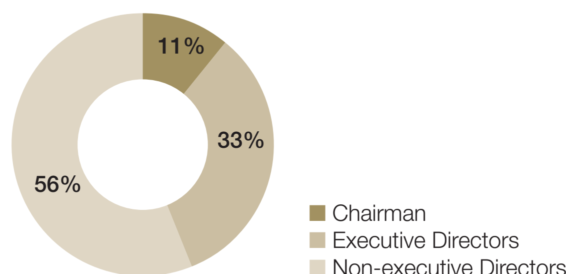
Peter Dalzell was appointed to the Board on 3 October 2012 as an Executive Director.

Lord Hodgson has confirmed he will retire from the Board following the 2014 AGM. Neil Goulden will assume the role of Senior Independent Director and Chairman of the Remuneration Committee from that date. Neil's extensive experience across a wide range of roles and his membership of the Low Pay Commission will provide a unique sense of perspective to the Remuneration Committee.

Nick Backhouse will be appointed as Chairman of the Audit Committee in place of Neil. Nick is a Chartered Accountant and his extensive financial experience means he is ideally placed to chair the Audit Committee.

We consider all of our Non-executive Directors to be independent and the following chart portrays the balance of the Board as at the date of this report:

Balance of Executive and Non-executive Directors



Commitment

Significant commitments of the Directors held outside of Marston's are disclosed prior to appointment and on an ongoing basis where there are any changes. Actual and potential conflicts of interest are regularly reviewed. The Articles of Association allow the Board to authorise potential conflicts of interest and to impose any limits or conditions it sees fit. All of our Directors are required to allocate sufficient time to the Company to discharge their responsibilities effectively and this is reviewed as part of the annual evaluation process.

The former Chairman, David Thompson, is a Director of Ragleth Limited, the controlling shareholder of Anglia Maltings (Holdings) Limited and a supplier to the Company. All contracts are concluded on ordinary commercial terms without David Thompson being present in contract negotiations or in the event of any consideration of these by the Board. The former Chairman has no controlling interest in Ragleth Limited and consequently the transactions between the Company and Ragleth Limited are not related party transactions as defined by International Financial Reporting Standards.

Evaluation
The Code recommends that an evaluation of the effectiveness of the Board and its Committees is conducted annually and that this process is externally facilitated at least every third year. This year the evaluation process was externally facilitated, having last been carried out this way in 2010/11.

The evaluation, conducted by Equity Communications Limited, involved a questionnaire designed to assess current Board processes and procedures, its composition, allocation of priorities and management of risk with the aim of assisting the new Chairman in framing the future focus of the Board. The review of the Committees focused on their performance throughout the year, whether the agendas covered their remits and the effectiveness of their communications with the full Board.

A report was prepared for the Board on its effectiveness and that of its Committees. The report concluded Marston's Board is sound, well-rounded and highly functional and that the Board and its Committees continued to operate effectively. The atmosphere is collegiate but appropriately challenging and there are no significant areas of concern. Whilst the report highlighted the quality of information provided to the Board, we have adopted the recommendation to review the format in which papers are delivered. The review also identified a number of areas for the Board to integrate into its annual forward agenda to enhance the following:

- balance between monitoring past performance and considering the future of the business;
- focus on the execution of strategy; and
- consideration of succession planning, recruitment and culture.

The Board is of the opinion, supported by the Nomination Committee, that each Director continues to make an effective and valuable contribution and demonstrates commitment to his or her role.

Training and development
The Chairman will take on the responsibility for ensuring that Directors continually update their skills, knowledge and familiarity with the Company. The Chairman will conduct development reviews with each Director and, where necessary, the Company will provide resources to meet development requirements for individual Directors.

All Directors receive a tailored induction programme on joining the Board.

During the year the Board held three meetings at sites other than at Head Office in Wolverhampton, visited a number of its managed pubs and met with local management to further its understanding of operational matters. Individually, the Non-executive Directors spent time with senior managers visiting managed and tenanted pubs and our regional breweries. There are regular opportunities for the Directors to meet with senior management in the pubs and breweries to maintain and deepen their understanding of our business.

Information and support
The Chairman agrees the agenda for each meeting in conjunction with the CEO and Company Secretary. Board and Committee members are supplied with briefings on substantive issues in advance of meetings and there is a regular timetable of matters for consideration during the year. Board papers are circulated at least seven days prior to each Board or Committee meeting to ensure that Directors have sufficient time to review them before the meeting. Regular reports cover the Company's financial position, risk management and regulatory compliance. Updates on activities across each operating division and performance against targets are reported to the Board through the senior operating managers in a monthly summary of key business operations.

The Company Secretary advises the Board, through the Chairman, on all governance matters. All Directors have access to her advice and services. If necessary, Directors may seek independent professional advice at the Company's expense in the performance of their duties.

Election and re-election
Shareholders will consider the election of Roger Devlin at the AGM and he will be subject to annual re-election thereafter. All other Directors offer themselves for re-election at each AGM. Details of each Director serving on the Board at the date of this Report are set out on pages 26 to 27 and, with the exception of Lord Hodgson, shall be set out to shareholders in the papers accompanying the election and re-election resolutions for the AGM.

NOMINATION COMMITTEE

MESSAGE FROM THE CHAIRMAN OF THE NOMINATION COMMITTEE

Dear Shareholder

Following my appointment as Chairman of the Company and Nomination Committee in September 2013, the initial focus of the Committee will be the further development of the long-term succession plans for the Board. The assessments and outputs from the recent externally facilitated Board evaluation will also inform a review of the composition and structure of the Board and its Committees to ensure that they best service the needs of the Company and its shareholders.

Roger Devlin
Chairman of the Nomination Committee

Membership	*Responsibilities*
Roger Devlin (from 1 September 2013) David Thompson (until 31 August 2013) Nick Backhouse Rosalind Cuschieri Ralph Findlay Neil Goulden Lord Hodgson Robin Rowland	• Ensure the Board and its Committees have the right balance of skills, knowledge and experience. • To plan for the orderly succession of Directors to the Board and other senior executives. • To identify and nominate suitable candidates for Executive and Non-executive Director vacancies having regard to, amongst other factors, the benefits of diversity, including gender diversity.
Attendees: Other Executive Directors, senior management and external advisers may be invited to attend meetings.	*Terms of reference:* Full terms of reference of the Committee can be found in the Investors section of the Company's website.

Activities

The Nomination Committee met four times during the year, specifically to consider the recruitment and appointment of a new Chairman and to consider and appoint Richard Westwood as the new Managing Director of Marston's Beer Company.

The Committee also considered the membership of the Board and each of its Committees and, using the output from the Board evaluation, is actively reviewing the long-term succession planning process for Non-executive Directors to ensure the structure, size and composition of the Board and its Committees continues to be effective, thus ensuring appropriate levels of corporate governance and best practice.

The effectiveness of the Committee was considered as part of the wider Board evaluation process. The Board concluded that it is satisfied that the Committee continues to perform its duties in accordance with its terms of reference.

Finally, the Committee considered the effectiveness and commitment of each Director standing for election or re-election at the 2014 AGM and, having concluded that their performance continues to be effective, recommends the election or re-election of each Director to its shareholders.

Diversity Policy

The way we manage our pubs, breweries and brands reflects the preferences of many different consumer and customer types; it is therefore vital that our management of the business has appropriate regard for diversity when making decisions.

At Marston's, we consider that diversity includes (but is not limited to) personal attributes and characteristics, gender, ethnicity, age, disability and religious belief. Our aim is to promote equality, respect and understanding, and to avoid discrimination.

On the Board, succession planning is informed by guidance provided by the Financial Reporting Council (FRC) and the Department for Business, Innovation & Skills (BIS) on both Board Effectiveness and Gender Diversity, and recruitment to the Board recognises the benefits of diversity. When recruiting, we require that executive search firms used have signed up to their industry's Voluntary Code of Conduct (prepared in response to the Davies Review of Women on Boards). We do not have a specific target for numbers of female Directors, and make appointments on the basis of merit.

The Board, through the CEO, takes overall responsibility for diversity and equality below Board level. We have a code of behaviour which is communicated throughout Marston's: to behave Fairly, with Integrity, and Transparency. We have a Whistleblowing Policy intended to ensure that concerns can be raised without adverse effect on the reportee's career and development at Marston's. Further details of Marston's approach to diversity can be found on the website www.marstons.co.uk/responsibility/caringforouremployees

C. ACCOUNTABILITY

Fair, balanced and understandable assessment

In relation to compliance with the Code, the Board has given consideration to whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable. The preparation of this document is coordinated by the Finance and Company Secretariat teams with Group-wide support and input from other areas of the business. Comprehensive reviews are undertaken at regular intervals throughout the process by senior management and other contributing personnel within the Group.

Internal controls

The Board is responsible for the Company's systems of internal control and risk management. The Executive Directors are responsible for the implementation of internal control and risk management systems, which are designed to manage rather than eliminate risk. By their nature, such systems provide only a reasonable and not absolute defence against material errors, losses, fraud or breaches of the law.

Control environment

The key features of the internal control system are:

- A clearly defined management structure operating within a framework of policies and procedures covering authority levels, responsibilities and accountabilities.
- A detailed formal budgeting process for all Group activities, with the annual Group budget and projections for future years being formally approved by the Board.
- Established procedures for planning, approving and monitoring capital expenditure and major projects.
- Board approval is needed for all major investment, divestment and strategic plans and programmes.
- At each meeting the Board reviews financial and non-financial progress towards the Company's goals.
- An internal audit function that scrutinises internal controls and conducts audits on controls associated with key risks of the business, and which recommends improvements.

Risk management system

There is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The Board reviews the risks annually and the senior management team identify and regularly review the top risks with their management teams and the Corporate Risk Director. These reviews cover strategic, financial, operational and compliance risks.

Managers are required to identify key internal controls for each of the risks they are responsible for. The identified risks are classified and recorded in the Group's risk register.

The internal audit strategy takes into account the key business risks of the Group and provides assurance to the Audit Committee on the effectiveness of the internal control environment in mitigating the risks to an acceptable level. The risk management programme provides vital information to ensure that the internal strategy provides sufficient coverage of the critical areas of internal control.

Compliance

In 2013 Marston's set up a Compliance Committee chaired by the Corporate Risk Director, in order to monitor all areas of legal compliance across the Company. The Committee is responsible for maintaining a register of legislation appertaining to Marston's activities, and seeking confirmation of compliance from management on a regular basis. Breaches in compliance will be reported by the Committee to the Board; in addition the Committee will report its operations biannually to the Board. The Committee meets quarterly, and includes representatives from across the business, in order to consider any emerging areas of legislation or challenges to existing compliance.

AUDIT COMMITTEE

MESSAGE FROM THE CHAIRMAN OF THE AUDIT COMMITTEE

Dear Shareholder

Each member of the Committee, all independent Non-executive Directors, contributes their own financial experience to effectively assess the external and internal audits of the Company and the internal control and risk management systems.

As indicated last year, the Committee has conducted a formal review of the external Audit, inviting a number of audit firms to tender for this work including one of the mid-tier firms outside of the 'Big 4'. In assessing the tender proposals and presentations received, the Committee considered the ability of each firm to deliver a timely and efficient audit, relevant sector experience and knowledge of key audit issues, the wider services provided to the Company and the price. The Committee concluded that PwC continue to provide an effective audit service and that no other firm offered anything sufficiently different to justify a change of external Auditor. As a consequence, the Committee recommends their re-appointment.

Neil Goulden
Chairman of the Audit Committee

Membership	*Responsibilities*
Neil Goulden Nick Backhouse Rosalind Cuschieri Lord Hodgson	• Reviewing the integrity of the Company's financial statements including the Interim Results and the Annual Report and Accounts. • Reviewing the effectiveness of the internal controls and risk management system. • Reviewing the Company's systems for detecting fraud, preventing bribery and allowing employees to raise concerns in a safe and confidential manner. • Reviewing the effectiveness of the Internal Audit function. • Overseeing the relationship with the external Auditors, specifically reviewing and approving their fees, the terms of engagement and their objectivity and independence on an annual basis.
Attendees: The Corporate Risk Director and external Auditors attend each meeting. Other individuals, such as the CEO, Chief Financial Officer (CFO), are usually invited to attend all or part of the Committee's meetings. At least once a year, the external Auditors meet the Committee without any Executive Director present.	*Terms of reference:* Full terms of reference of the Committee can be found in the Investors section of the Company's website.

Auditors

In assessing the work of the external Auditors, the Committee found itself satisfied with the scope of their work, their effectiveness, tender proposal and presentation and fee proposal and recommended their re-appointment to the Board. The external Auditors conduct an annual review of their independence identifying all services provided to the Group and assessing whether the content and scale of such work is a threat to their independence. The audit partner is changed at least once every five years and a new partner was appointed during this period. The new partner observed the 2011/12 audit to ensure continuity following the changeover. Following this year's review the Auditors concluded that there are no factors which would impair their objectivity and independence. The Committee is satisfied with the safeguards in place to protect the independence and objectivity of the service provided by the external Auditors.

The Committee accepts that some non-audit work is most appropriately undertaken by the Auditors. Where such work is expected to be in excess of a specified amount, the Chairman of the Audit Committee must approve the work. Below that amount, the CFO has authority to approve such work once he is satisfied that the Auditors are the most appropriate providers. The Group has used other accounting firms for some non-audit work. In each case, consideration was given to the need for value for money, experience and objectivity required in the particular circumstances.

Activities

During the year the Committee met four times to consider and review the risks to the Group, the internal control and risk management systems, to assess the annual internal audit plan and to review the audit tender proposals and presentations received. The Corporate Risk Director presented to each of the meetings. The Committee also considered the Annual Report and Accounts and Interim Results. In order to provide the Committee with the opportunity to review and challenge the integrity of the Company's financial reports, the external Auditors attended each meeting. The external Auditors also presented their audit strategy, findings and conclusions in respect of the Annual Report and Accounts or Interim Results.

In addition the Committee reviewed a number of standing items including the Group's Whistleblowing Policy and arrangements thereunder, matters arising from internal audits and compliance and legal developments.

Significant financial judgements

In recommending the Interim Results and Annual Report and Accounts to the Board for approval, the Committee reviewed the accounting for and disclosure of the following matters:

- The annual valuation of properties: the Committee concluded that the carrying value of properties was appropriate and endorsed management's proposal to increase the frequency of full external valuations from every five to three years, supplemented by the internal valuation process.
- The classification of exceptional items including:
  - Reorganisation costs: the Committee was comfortable with management's assessment that the costs identified as a result of the pub estate restructuring should be recognised as exceptional.
  - Following the Court of Appeal's unanimous judgement in October 2013, against The Rank Group Plc, in relation to the VAT treatment of gaming machine income and Marston's own claim in respect of this matter, a provision has been recognised in the accounts as HM Revenue & Customs may seek repayment of the amount originally paid plus interest. The Committee agreed that this item should be classified as exceptional.
- The Committee also assessed the quality of earnings in assessing the completeness of exceptional items and considered the requirements for further disclosure.
- Valuation of financial instruments: the Committee acknowledged that there continues to be volatility in the relative fair values of the financial instruments and concluded that the valuation in the accounts, which is based on the counterparty calculations, represents an appropriate and consistent approach with prior years.
- Other matters: the Committee considered and agreed the key judgements made in relation to corporate and indirect tax matters and the valuation of pension assets and liabilities.

D. REMUNERATION

Information on the Remuneration Committee, its membership and activities is given in the Directors' Remuneration Report on pages 38 to 53. A resolution to approve the Directors' Remuneration Policy will be proposed at the AGM and, if approved, will be effective from 5 October 2014. The Report also comprises the Annual Report on Remuneration and this is subject to an advisory vote at the AGM.

E. SHAREHOLDER RELATIONS

Engagement with our shareholders is essential to ensure a greater understanding of and confidence in the medium and longer-term strategy of the Company and in the Board's ability to oversee its implementation.

An investor relations programme is in place between the Executive Directors and institutional shareholders, fund managers and analysts. The CEO and CFO meet with Private Client Fund Managers in a number of locations on a quarterly basis. Matters such as strategy, performance, management and governance are discussed within the constraints of information already made publicly available.

The Board considers it important to understand the views of shareholders and issues which concern them. At least twice each year, it receives written feedback from analysts and institutional shareholders on their meetings with Executive Directors. During the year the Chairman and Senior Independent Director were available to meet with the Company's major institutional investors who are also offered the opportunity to meet with newly appointed Directors.

The Company Secretary oversees communication with private individual shareholders on behalf of the Board. The Annual Report and Accounts is the principal means of communication and the Company's website is an important method of communication for the majority of its shareholders providing comprehensive share price information, results presentations, financial calendars and announcements.

The AGM is an opportunity for the Board to communicate with all of its shareholders. Recent trading performance and developments in the business are presented prior to the formal business of the meeting. Shareholders are invited to ask questions during the meeting, which is followed by an opportunity to meet with the Directors on an informal basis. All of our Directors attend and have dialogue with our shareholders at our AGM. The Company will release the results of voting, including proxy votes on each resolution, on its website on the next business day at www.marstons.co.uk/investors

REMUNERATION COMMITTEE CHAIRMAN – ANNUAL STATEMENT

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Report for the period ended 5 October 2013, which sets out the remuneration policy for the Directors of Marston's and the amounts earned in respect of the period ended 5 October 2013. The Government has introduced new regulations which impact on the presentation and disclosure of Directors' remuneration and the lay-out of this report reflects those new regulations.

2012/13 key decisions and incentive pay-outs

The Remuneration Committee remains committed to a responsible approach to executive pay, particularly given the continuing challenges of the economic environment. As described in the Strategic Report, Marston's earnings are broadly in line with last year and, as the underlying premise of a bonus scheme is to reward growth, no annual bonus was earned by the Executive Directors in respect of the period ended 5 October 2013. Furthermore, EPS growth over the three year performance period ending 5 October 2013 was less than RPI +3% and as a result the Long Term Incentive Plan (LTIP) awards granted in July 2010 lapsed.

Base salary increases for Executive Directors were 3% which was in line with the range of salary increases across the Group.

Proposed changes in Executive Director remuneration for 2013/14

The current LTIP was adopted by shareholders in 2004 and expires in 2014. This has prompted the Remuneration Committee to review the efficacy of the incentive arrangements which form part of the Marston's executive remuneration policy. This also provided an opportunity for the Remuneration Committee to ensure that future arrangements are fully aligned to the strategic direction of the Company, whilst delivering genuine recognition of performance. The Remuneration Committee determined that the current LTIP performance measure (EPS growth) does not fully reflect Marston's strategic objectives: delivery of sustainable growth; increasing return on capital and reducing leverage. The Remuneration Committee concluded the LTIP performance measures should be consistent with these objectives and at the same time provide longer term stretching performance targets thus ultimately delivering enhanced shareholder value.

Therefore, after extensive consultation with, and good support from, our major shareholders, shareholder approval for a new LTIP is being sought at the AGM and the Remuneration Committee intends to implement the following changes to the long term incentive arrangements for 2013/14:

- The performance measures for awards granted under the LTIP in 2013/14 will be a combination of Return on Capital, Free Cash Flow, and relative Total Shareholder Return. The actual performance measures and targets for LTIP awards to be granted in 2013/14 are set out on page 49.
- The maximum award under the new LTIP will be increased from 100% of salary to 125%. The Remuneration Committee considers that a maximum award of 125% is appropriate given the level of stretch in the proposed targets, without encouraging excessive risk. In conjunction with the increase in maximum potential, the Remuneration Committee proposes that the amount that will vest at threshold is reduced from 35% to 25% of the maximum award. This means that, with a maximum opportunity of 125% of salary, the threshold amount earned would be 31.25% of salary compared to 35% under the existing LTIP.
- The Remuneration Committee is also conscious that, due to its age, the 2004 LTIP rules do not reflect best practice in terms of governance and administration of incentive awards. The 2014 LTIP therefore includes updated provisions to reflect current best practice, including "clawback" provisions and treatment of leavers. A summary of the key terms of the proposed 2014 LTIP rules is set out in the notice of the AGM.

The Remuneration Committee is not proposing any changes in respect of the annual bonus for 2013/14 and other benefits, including pension provision, will be maintained at existing levels (other than an increase in total pension contribution and salary supplement from 15% to 20% of salary for Andrew Andrea which took effect from October 2012 following a review of market rates and this rate will apply for Executive Directors' appointments in the future).

The Remuneration Committee believes these changes are in the best interests of the Company. We recognise the expectations of our shareholders on executive pay and our history should demonstrate clearly that the Remuneration Committee approaches such issues with caution and sensitivity.

Robin Hodgson

Lord Hodgson
Chairman of the Remuneration Committee

Note
This Report has been prepared on behalf of the Board and has been approved by the Board. The Report complies with the Large and Medium Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the 2012 UK Corporate Governance Code (the Code) and the Financial Conduct Authority Listing Rules.

To reflect the requirements of the revised remuneration reporting regulations this Report is presented in two sections:
- The Directors' Remuneration Policy sets out the forward-looking remuneration policy;
- The Annual Report on Remuneration provides details on the amounts earned in respect of the period and how the policy will be operated for the period commencing 6 October 2013.

The final additional information section at the end of this Report includes disclosures required by the UKLA Listing Rules 9.8.6 and 9.8.8. For future periods these requirements will be removed but for the period ended 5 October 2013 Marston's is required to provide information under both the revised remuneration reporting regulations and the Listing Rules.

DIRECTORS' REMUNERATION POLICY

This part of the report sets out the Company's Directors' remuneration policy which will be subject to a binding vote at the 2014 AGM and take effect from 5 October 2014. The policy is determined by the Company's Remuneration Committee ("the Committee").

Base Salary

Purpose and link to strategy	Core element of fixed remuneration, reflecting the size and scope of the role. Purpose is to recruit and retain Directors of the calibre required for the business.
Operation	Reviewed annually and usually fixed for 12 months commencing 1 October. Whilst Executive Directors are contractually entitled to an annual review of their salary, there is no entitlement to an increase as a result of this review. Salary levels are determined by the Committee taking into account a range of factors including: • role, experience and performance; • alignment with workforce; • prevailing market conditions; and • external benchmarks for similar roles at comparable companies.
Opportunity	Salary increases are reviewed in the context of salary increases across the wider Group. The Committee considers any increase which is out of line with these very carefully and such increases may be awarded where there is a reason to do so taking into account relevant factors. These circumstances may include but are not limited to: • increase in scope and responsibility; • promotional increase to Executive Director; or • a salary falling significantly below market positioning.
Performance metrics	Not applicable, although the individual's contribution and overall performance is one of the considerations in determining the level of any salary increase.

Benefits

Purpose and link to strategy	Ensures the overall package is competitive. Purpose is to recruit, and retain Directors of the calibre required for the business. Participation in the Save as You Earn scheme (SAYE) creates staff alignment with the Group and promotes a sense of ownership.
Operation	Executive Directors receive benefits in line with market practice which include a car allowance, private medical insurance and life assurance. The SAYE is a HMRC approved monthly savings scheme facilitating the purchase of shares at a discount. Other benefits may be provided based on the role and individual circumstances. These may include, for example, relocation and travel allowances.
Opportunity	Set at a level which the Committee considers appropriate against the market and provides a sufficient level of benefit based on individual circumstances. SAYE contribution as permitted in accordance with the relevant tax legislation.
Performance metrics	Not applicable.

Annual bonus and deferred bonus plan

Purpose and link to strategy	Rewards performance against annual targets which support the strategic direction of the Company. Compulsory deferral into shares aligns Executive Directors with shareholder interests and provides a retention element.
Operation	Targets are set annually and any pay-out is determined by the Committee after the period end, based on performance against those targets. The Committee has discretion to vary the bonus pay-out should any formulaic output not reflect the Committee's assessment of overall business performance. Any bonus earned in excess of 40% of the maximum award is usually payable in shares in the Company which will be deferred for a period of three years. Executive Directors can opt to defer a greater proportion if they wish. Deferral of any bonus earned is subject to a de minimis limit of £5,000. A claw-back (malus) provision gives the Remuneration Committee the right to cancel unvested shares if an act or omission of the participant contributes to a material misstatement of the Group's financial statements or results in material loss or reputational damage for the Company. As with all Company bonuses, they remain discretionary and can be adjusted or removed at the Company's discretion. In the case of Executive Directors this discretion lies with the Remuneration Committee.
Opportunity	Maximum bonus opportunity is 100% of base salary.
Performance metrics	Financial targets are set each year reflecting the business priorities that underpin Group strategy and align to financial key performance indicators which may include Group profit and Return on Capital measures. At least 50% of the award will be based on Group profit. Payments range between 0% and 100% of base salary with 50% of the maximum entitlement for each measure payable for on-target performance. For achievement of the maximum performance level (the highest level of performance that results in any additional payment) 100% of the maximum opportunity will vest. There is usually straight-line vesting between the threshold and target performance levels and between target and maximum performance levels. The Committee has the discretion to vary the vesting schedules by reducing the percentage that vests at each performance level but not by increasing the percentage that vests.

Long term incentive plan (LTIP)

Purpose and link to strategy	Incentivises Executive Directors to deliver against the Company's strategy over the longer term. Long term performance targets and share-based remuneration support the creation of sustainable shareholder value.
Operation	The Committee intends to make long term incentive awards under the new LTIP which will be put to shareholders for approval at the 2014 AGM. Under the new LTIP, awards of conditional shares, restricted stock or nil cost options (or similar cash equivalent) can be made with vesting dependent on the achievement of performance conditions, normally over a three year performance period. Awards may vest early on a change of control (or other relevant event) subject to satisfaction of the performance conditions and pro-rating for time, although the Remuneration Committee has discretion to increase the extent of vesting having due regard to performance over the period to vesting. As described on page 45, LTIP awards may also vest early in "good leaver" circumstances. Under the new LTIP the Remuneration Committee has the right to reduce any LTIP awards which have not yet vested (i.e. a malus provision) if an act or omission contributes to a material misstatement of the Group's financial statements or results in material loss or reputational damage for the Company. The Committee may at its discretion structure awards as Approved Performance Share Plan (APSP) awards. APSP awards enable the participant and company to benefit from HMRC approved option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. APSP awards may be structured either as an approved option for the part of the award up to the HMRC limit (currently £30,000) with an unapproved option for the balance and a "linked award" to fund the exercise price of the approved option, or as an approved option and a LTIP award, with the vesting of the LTIP award scaled back to take account of any gain made on exercise of the approved option.

Long term incentive plan (LTIP) continued

Opportunity	The normal maximum award size will be 125% of base salary in respect of any financial year. In exceptional circumstances the Remuneration Committee reserves the right to award up to 200% of base salary in respect of any financial year. These limits do not include the value of shares subject to any approved option granted as part of an APSP award.
Performance metrics	The vesting of LTIP awards is subject to the satisfaction of performance targets set by the Remuneration Committee. The performance measures are reviewed regularly to ensure they remain relevant but will be based on financial measures and/or share price growth related measures, including (but not exclusively): • free cash flow; • return on capital employed; and • relative total shareholder return. The relevant metrics and the respective weightings may vary each year based upon Company strategic priorities. For 2014, the performance measures and weightings will be: • 40% free cash flow; • 40% return on capital employed; and • 20% relative total shareholder return. For the achievement of threshold performance no more than 25% of each respective element of the award will vest. For the achievement of maximum performance 100% of each respective element will vest. There will be straight-line vesting between threshold and maximum performance. The Committee will regularly review the performance conditions and targets to ensure they are aligned to Marston's strategy and remain challenging and reflective of commercial expectations. The Committee has the discretion to vary the vesting schedules by reducing the percentage that vests at each performance level but not by increasing the percentage that vests.

Retirement benefits

Purpose and link to strategy	To recruit and retain Directors of the calibre required for the business. Provides market competitive post-employment (or cash equivalent) benefits.
Operation	Executive Directors are eligible to participate in the defined contribution pension scheme (or such other pension plan as may be deemed appropriate) and, if a member before closure of the scheme, the defined benefit scheme. The defined benefit scheme was closed to new entrants from 29 September 1997. Executive Directors who are members of the closed scheme can continue to receive benefits in accordance with the terms of this scheme. In appropriate circumstances, Executive Directors may take a salary supplement instead of contributions into a pension plan.
Opportunity	Ralph Findlay, who was previously a member of the defined benefit scheme has opted to no longer accrue future benefits and instead receives 25% of base salary as a salary supplement in lieu of pension contributions. All the other Executive Directors (including any new appointments) may receive contributions of up to 20% of base salary under the defined contribution pension scheme, an equivalent cash allowance or a combination of the two (up to 20% of base salary). Active members of the defined benefit pension scheme continue to accrue benefits under this scheme.
Performance metrics	Not applicable.

Non-executive Director fees

Purpose and link to strategy	Sole element of Non-executive Director remuneration set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience.
Operation	Fees are reviewed every two years and amended to reflect market positioning and any change in responsibilities. The Committee recommends the remuneration of the Chairman to the Board. Fees paid to Non-executive Directors are determined and approved by the Board as a whole. The Non-executive Directors do not participate in the annual bonus plan, any of the Group's share incentive plans nor do they receive any benefits or pension contributions.
Opportunity	Fees are based on the level of fees paid to Non-executive Directors serving on Boards of similar-sized UK-listed companies and the time commitment and contribution expected for the role. Non-executive Directors receive a basic fee and an additional fee for further duties (for example chairmanship of a committee or senior independent director responsibilities).
Performance metrics	Not applicable.

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed:

(i) before the Policy came into effect; or
(ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes the term payments includes the Remuneration Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted. For the avoidance of doubt, the Remuneration Committee's discretion includes discretion to determine, in accordance with the rules of the current LTIP, the extent to which awards under that plan may vest in the event of a change of control or in a 'good leaver' circumstance.

The Committee may make minor changes to this Policy, which do not have a material advantage to Directors, to aid in its operation or implementation taking into account the interests of shareholders but without the need to seek shareholder approval.

Explanation of performance metrics chosen

Performance measures are selected that are aligned to the Company's strategy. Stretching performance targets are set each year for the annual bonus and long term incentive awards. In setting these stretching performance targets the Committee will take into account a number of different reference points which may include the Company's business plans and strategy and the market environment. Where relative total shareholder return is used there will be no payment for performance below median (compared to the comparator group).

The annual bonus performance targets reflect key financial objectives of the Company and reward for delivery against these.

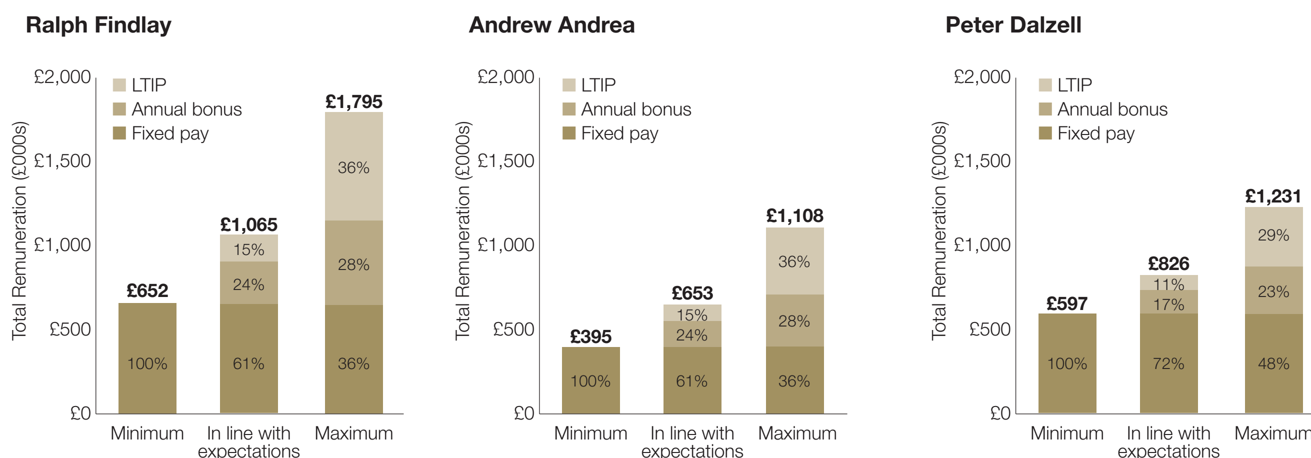
The LTIP performance targets reflect the Company's strategic objectives and therefore the financial and strategic decisions which ultimately determine the success of the Company. The LTIP performance measures will be based on financial measures and/or share price growth related measures, including (but not exclusively):

- Cash Return On Cash Capital Employed – this is a key driver of shareholder value and reflects Marston's investment/disposal plans and the Balance Sheet.
- Free Cash Flow – this reflects the operating cash flow of the business after tax and interest which is available to return to shareholders as dividends; to reinvest to increase returns; or to pay down debt.
- Relative Total Shareholder Return – aligns management's objectives with those of shareholders and is a broad measure of the extent to which Company strategy is considered appropriate by the market as well as the extent to which it is being well implemented.

The Remuneration Committee retains the discretion to adjust the performance targets and measures where it considers it appropriate to do so (for example, to reflect changes in the structure of the business and to assess performance on a fair and consistent basis from year to year).

Illustration of application of Remuneration Policy

The charts below show the relative split of remuneration between fixed pay (base salary, benefits and pension) and variable pay (annual bonus, deferred bonus plan (DBP) and LTIP) for each Executive Director on the basis of minimum remuneration, remuneration receivable for performance in line with the Company's expectations and maximum remuneration (not allowing for any share price appreciation).



In illustrating the potential reward the following assumptions have been made:

	Fixed pay	Annual bonus and DBP	LTIP
Minimum performance	Fixed elements of remuneration are base salary, benefits and pension Base salary is the latest known salary (i.e. the salary effective from 6 October 2013) and the value for benefits has been assumed to be equivalent to that included in the single figure calculation on page 46	No bonus	No LTIP vesting
Performance in line with expectations		50% of salary delivered for achieving target performance	25% of maximum award vesting (i.e. 31.25% of salary) for achieving threshold performance across all performance measures
Maximum performance		100% of salary awarded for delivering at or above the highest performance in respect of the annual bonus measures	100% of award vesting (125% of salary) delivered for achieving the most stretching level of performance measures attached to the LTIP awards

Awards under the LTIP and deferred shares vesting under the DBP are included at face value with no share price movement included.

Differences in policy from the wider employee population

The Company aims to provide a remuneration package that is market competitive, complies with any statutory requirements and is applied fairly and equitably across the wider employee population. Where remuneration is not determined by statutory regulation, the Company operates the same core principles as it does for Executive Directors namely;

- We remunerate people in a manner that allows for stability of the business and the opportunity for sustainable long-term growth.
- We seek to remunerate fairly and consistently for each role with due regard to the market place, internal consistency and the Company's ability to pay.

With the exception of our pub managers and field-based operations teams, all bonus arrangements within the Group normally have the same structure and pay-out mechanism as those for Executive Directors.

Participation in the DBP and LTIP is extended to the senior management team at the discretion of the Board and, in line with the policy for Executive Directors, share ownership is encouraged and LTIP participants are expected to build and maintain a minimum level of shareholding. We also encourage long term employee engagement through the offer of SAYE to all employees of the Group who meet a minimum service requirement.

Recruitment Remuneration Policy

When hiring a new Executive Director, the Committee will typically seek to use the Policy detailed in the table above to determine the Executive Director's ongoing remuneration package. To facilitate the hiring of candidates of the appropriate calibre required to implement the Group's strategy, the Committee also retains the discretion to include any other remuneration component or award which is outside the Policy. In determining appropriate remuneration, the Committee will take into consideration all relevant factors (including the quantum and nature of remuneration) to ensure the arrangements are in the best interests of Marston's and its shareholders.

The Committee may make an award to "buy-out" incentive arrangements forfeited on leaving a previous employer. In doing so the Committee will take account of relevant factors including the form of award, any performance conditions attached to these awards and the time over which they would have vested. The Committee would seek to incorporate buyout awards in line with the Company's remuneration framework as far as is practical. The Committee may consider other components for structuring the buy-out, including cash or shares awards, restricted stock awards and share options where there is a commercial rationale for doing so.

Appropriate costs and support will be covered if the recruitment requires relocation of the individual.

All recruitment awards will normally be liable to forfeiture or "clawback" on early departure. For Executive Directors, early departure is defined as being within the first two years of employment.

The maximum level of variable remuneration which may be granted (excluding buy-out arrangements) is three times salary. The Committee will ensure that such awards are linked to the achievement of appropriate and challenging performance measures and will be forfeited if performance or continued employment conditions are not met.

Service contracts and policy on payment for loss of office

Executive Directors' contracts are on a rolling 12 month basis and are subject to 12 months' notice when terminated by the Company and six months' notice when terminated by the Director. The Committee may, in exceptional circumstances, in order to attract and retain suitable executives, offer service contracts with up to an initial 24 month notice period which then reduce to 12 months at the end of this initial period.

The current Non-executive Directors, including the Chairman, do not have a service contract and their appointments, whilst for a term of three years, may be terminated without compensation at any time. All Non-executive Directors have letters of appointment and their appointment and subsequent re-appointment is subject to annual approval by shareholders.

The principles on which the determination of payments of loss of office will be approached are summarised below:

Provision	Treatment upon loss of office
Payment in lieu of notice	Payments to Executive Directors upon termination of their contracts will be equal to base salary plus the value of core benefits for the duration of the notional notice period. Benefits may also include, but are not limited to, outplacement and legal fees. They will also be entitled to pension contributions for the duration of the notional notice period. For active members of the defined benefit pension scheme an equivalent cash allowance will be negotiated.
Annual bonus	This will be at the discretion of the Committee on an individual basis and the decision whether or not to award a bonus in full or in part will be dependent upon a number of factors including the circumstances of their departure and their contribution to the business during the bonus period in question. Any bonus amounts paid (as estimated by the Committee) will typically be pro-rated for time in service to termination and will, subject to performance, be paid at the usual time.
Deferred bonus	Any deferred award under the deferred bonus plan will be determined based on the leaver provisions contained within the deferred bonus plan rules. For participants leaving before the first anniversary of the date of grant deferred awards will lapse unless the participant is considered a 'good leaver'. For a good leaver the deferred award will vest in full. 'Good leavers' are participants who leave as a result of redundancy, death, ill-health, injury or disability, the sale of his employer out of the Group or any other reason at the discretion of the Committee. For a participant leaving after the first anniversary of the date of grant the award will vest in full unless employment is terminated for reasons of misconduct (in which case the award will lapse).
New LTIP	Any award under the new LTIP would be determined based on the leaver provisions contained within the new LTIP plan rules. For 'good leavers' new LTIP awards will usually vest at the ordinary vesting point, be subject to performance conditions and pro-rated for time. 'Good leavers' are participants who leave as a result of death, ill-health, injury or disability, the sale of his employer out of the Group or any other reason at the discretion of the Committee. In other circumstances LTIP awards will lapse upon the cessation of employment. The Committee retains the discretion to accelerate vesting and to waive pro-rating for time.
Change of control	Upon a change of control incentive awards will usually vest and be subject to performance conditions and pro-rated for time. The Committee retains the discretion to waive pro-rating for time.
Mitigation	Ralph Findlay's service contract is formed under a model which was approved by the Committee in 2001 and there is no reduction in payments for mitigation or for early payment as the Remuneration Committee has taken the view that as a long-standing employee of the Group, full compensation would be merited in the event of unilateral termination of his employment by the Group. Andrew Andrea and Peter Dalzell's service contracts were formed under a new model approved in 2009 and provide that, subject to formal notice being given by either party, any payment during the notice period will be reduced by any amount earned in that period from alternative employment as a result of being released to work for another employer prior to the conclusion of their notice period.

Statement of consideration of employment conditions elsewhere in the Company

Salary, benefits and performance related rewards provided to employees are taken into account when setting policy for Executive Directors' remuneration. Although employees are not actively consulted on Directors' remuneration the Company has regular contact with union bodies on matters of pay and remuneration for employees covered by collective bargaining or consultation arrangements.

In October of each year a paper is submitted to the Remuneration Committee by the Group Human Resources Director summarising the outcome of any annual reviews made to the wider workforce (including head office and supply chain employees but excluding pub based staff as the majority of these employees have their remuneration rate set by statute rather than the market). This paper is taken into account when setting Executive Directors' remuneration effective from the start of October for the following 12 months. In addition, and where relevant, a similar paper is submitted in October covering the decisions taken by the Executive Committee relating to bonus payments for employees within the wider workforce. This is taken into consideration by the Remuneration Committee when approving bonus awards for Executive Directors.

Statement of consideration of shareholder views

The Committee is committed to open and transparent dialogue with shareholders and welcomes feedback on Executive and Non-executive Directors' remuneration.

Prior to the new LTIP being formally put to shareholders, the Committee has had an open dialogue with major shareholders and institutional investor bodies setting out the proposals and the detailed thinking and planning behind them.

ANNUAL REPORT ON REMUNERATION

Remuneration principles

To align the remuneration of the Executive Directors with the Group's strategic objectives and the interests of shareholders, our strategic priorities are reflected in our remuneration principles:

Key Focus	Remuneration Principles
Sustainable growth	• Ensure that remuneration arrangements support sustainable growth and the long-term objectives of the Company.
Shareholder interests	• Substantial part of the incentive package for Executive Directors is delivered in the Company's shares to ensure interests are aligned with shareholders. • Minimum shareholding requirements for Executive Directors and senior management. • From 2012/13 bonuses earned in excess of 40% of the maximum opportunity will be payable in shares in the Company, which will be deferred for a period of three years.
Employee engagement	• Ensure Director and senior management salaries are set with reference to the wider workforce. • Offer an HMRC approved SAYE scheme to all eligible employees.

The policy is designed to ensure that Executive Directors are provided with sufficient remuneration to motivate each individual, together with appropriate incentives that are aligned to strategy and encourage enhanced performance. The Committee undertakes an annual review of market practices and commentary and remuneration levels of Directors in similar roles in companies of comparable sizes and complexity. In addition, they review the levels of remuneration for other employees and the pay increases awarded throughout the Group; the aim is to reward all employees fairly according to their role, performance, the economic environment and the financial performance of the Group.

The following parts of the Remuneration Report are subject to audit, other than the elements explaining the application of the Remuneration Policy for 2013/14.

Single total figure of remuneration

The table below reports the total remuneration receivable in respect of qualifying services by each Director during the period:

Period ended 5 October 2013

	Total salary and fees £	Taxable benefits £	Annual bonus £	Long term incentives £	Pension related benefits £	Total £
Andrew Andrea	309,000	14,630	0	1,005	61,800	386,435
Peter Dalzell	275,000	14,419	0	0	300,553	589,972
Ralph Findlay	495,000	17,330	0	0	123,750	636,080
Roger Devlin[1]	15,000	–	–	–	–	15,000
Nick Backhouse	44,500	–	–	–	–	44,500
Rosalind Cuschieri	44,500	–	–	–	–	44,500
Neil Goulden	50,500	–	–	–	–	50,500
Lord Hodgson	54,500	–	–	–	–	54,500
Robin Rowland	44,500	–	–	–	–	44,500
David Thompson[2]	137,083	117,665	–	–	58,691	314,439

1 Roger Devlin was appointed as Chairman on 1 September 2013.
2 David Thompson stepped down as Chairman on 31 August 2013.

Period ended 29 September 2012

	Total salary and fees £	Taxable benefits £	Annual bonus £	Long term incentives £	Pension related benefits £	Total £
Andrew Andrea	300,000	14,457	120,000	0	47,025	481,482
Peter Dalzell	210,000	14,184	84,000	0	142,005	450,189
Ralph Findlay	480,000	17,157	192,000	0	126,533	815,690
Roger Devlin	–	–	–	–	–	–
Nick Backhouse	28,666	–	–	–	–	28,666
Rosalind Cuschieri	43,000	–	–	–	–	43,000
Neil Goulden	49,000	–	–	–	–	49,000
Lord Hodgson	53,000	–	–	–	–	53,000
Robin Rowland	43,000	–	–	–	–	43,000
David Thompson	145,000	17,157	–	–	32,175	194,332

The figures in the single figure table are derived from the following:

Total salary and fees	The amount of salary/fees received in the period.
Taxable benefits	The taxable value of benefits received in the period. These are car allowance, private medical insurance and, for David Thompson, payment in lieu of unexpired contractual notice and loss of office details of which are set out on page 50.
Annual bonus	No annual bonus was earned in the period ended 5 October 2013. A description of Group performance against which the bonus pay-out was determined is provided on pages 47 to 48.
Long term incentives	The value of LTIP awards that vest in respect of the financial period and the value of SAYE options granted in the financial period. LTIP: None have vested in the period. SAYE: For the period ended 5 October 2013 the long term incentive value includes the value of SAYE options granted based on the fair value of the options at grant.
Pension related benefits	The pension figure represents the cash value of pension contributions received by the Executive Directors. This includes the Company's contributions to the defined contribution pension scheme and any salary supplement in lieu of a Company pension contribution and for individuals in the Company's defined benefit pension scheme, it also includes the additional value achieved in the period calculated using the HMRC method (using a multiplier of 20). Further details of pension benefits are set out on pages 49 and 50.

Individual elements of remuneration

Base salary and fees

Base salaries for individual Executive Directors are reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities within the Group as well as with reference to similar roles in comparable companies. For 2012/13, Ralph Findlay and Andrew Andrea received a 3% salary increase, which was in line with the average salary increases across the Group.

For 2013/14, the average salary increase for Executive Directors is 2.6%, which was in line with the average salary increases across the Group. The base salaries for 2012/13 and 2013/14 are as set out below:

	2012/13 base salary	2013/14 base salary	Increase
Andrew Andrea	£309,000	£317,000	2.6%
Peter Dalzell	£275,000	£282,000	2.6%
Ralph Findlay	£495,000	£508,000	2.6%

The remuneration policy for Non-executive Directors, other than the Chairman, is determined by the Board and is reviewed every two years. Fees were reviewed in 2012 and reflect the responsibilities and duties placed upon Non-executive Directors whilst also having regard to market practice. The Non-executive Directors do not participate in any of the Group's share incentive plans nor do they receive any benefits or pension contributions, with the exception of David Thompson who stepped down from the Board on 31 August 2013.

Non-executive Director fees	2012/13	2013/14
Basic fee	£44,500	£44,500
Additional fee for		
– Chairmanship of the Remuneration Committee	£5,000	£5,000
– Chairmanship of the Audit Committee	£6,000	£6,000
– Senior Independent Non-executive Director	£5,000	£5,000

In 2012/13 David Thompson received remuneration totalling £212,309 (excluding payments in lieu of unexpired contractual notice and for loss of office). This comprised salary, benefits and pension. He did not receive any additional fees for Committee memberships. David Thompson accrued pension benefits up to the date of his retirement from the Board, details of which are set out on page 49. Roger Devlin will receive a fee of £180,000 and will not receive any pension benefits.

Annual bonus

With the exception of our pub managers and field-based operations teams, all bonus arrangements within the Group have the same structure and pay-out mechanism, though the maximum potential award, expressed as a percentage of salary, varies between different employee groups.

Payments are calculated based upon achievement or exceeding pre-set targets for both Group profit and Return on Capital ('ROC'). For 2012/13, Executive Directors could earn a bonus equivalent to 50% of base salary for hitting on-target performance and this increases on a linear basis for performance above the set targets up to a maximum of 100% of base salary. For Executive Directors, the bonus agreement includes two additional conditions:

- Any bonus earned in excess of 40% of the maximum opportunity is payable in shares in the Company, which will be deferred for a period of three years; and
- A 'malus' provision is operated which gives the Remuneration Committee the discretion to reduce/lapse unvested deferred shares if an act or omission of the participant contributes to a material misstatement of the Group's financial statements or results in material loss or reputational damage for the Company.

The Directors consider that the future Group profit and ROC targets are matters which are commercially sensitive; they provide our competitors with insight into our business plans and expectations and should therefore remain confidential to the Company. However, the following table sets out the bonus pay-out to the Executive Directors for 2012/13 and Marston's actual Group profit and ROC performance for the period.

	Group profit before exceptional items	ROC	Executive Director bonus as a percentage of salary
2012/13	£88.4m	10.7%	0%

There was no bonus deferral in 2012/13 as there was no pay-out under the annual bonus scheme.

Annual bonus in 2013/14

No changes are proposed in respect of the annual bonus scheme for 2013/14. The maximum award under the annual bonus will remain unchanged at 100% of salary with 50% earned for on-target performance. Performance targets continue to be set at the challenging levels of previous years, with performance based upon Group profit (two thirds) and ROC (one third). Any bonus earned in excess of 40% of salary will continue to be awarded in deferred shares paid after a further three years. For the reasons set out above, the Remuneration Committee considers that the Group profit and ROC targets are commercially sensitive and should therefore remain confidential to the Company. However, the Remuneration Committee will continue to disclose how the bonus pay-out delivered relates to performance against the targets on a retrospective basis.

Long Term Incentive Plan

Awards vesting in respect of the financial period

LTIP awards granted in July 2010 and June 2011 were subject to the achievement of an EPS growth performance condition over a three year period. Awards vest, on a sliding scale with 35% becoming exercisable if annual EPS growth exceeds RPI by 3%. For 100% of an award to vest EPS growth must exceed RPI by 9% per annum.

EPS growth over the three year performance period ending 29 September 2012 was less than RPI +3% and the LTIP awards granted in July 2010 lapsed.

The extent to which the LTIP awards granted in June 2011 will vest will not be determined by the Remuneration Committee until June 2014, therefore an estimate of the level of vesting has been made. On the basis that any formulaic payout does not reflect the Company's assessment of overall business performance for the period it has been assumed that this LTIP award will lapse.

Awards granted during the period

In respect of the period ended 5 October 2013 the following LTIP awards were granted:

	Type of award	Percentage of salary	Number of shares	Face value at grant	% of award vesting at threshold	Performance period
Andrew Andrea	LTIP	100%	210,777	£308,999	35%	Financial years
Peter Dalzell	LTIP	100%	187,585	£275,000	35%	2012/13 to 2014/15
Ralph Findlay	LTIP	100%	337,653	£494,999	35%	inclusive

The performance condition for these LTIP awards is as follows:

EPS performance	% of award vesting
EPS growth < RPI +3% p.a.	0%
EPS growth = RPI +3% p.a.	35%
EPS growth = RPI +9% p.a.	100%
Straight-line vesting between these points	

Long Term Incentive Plan continued

Awards for 2013/14

The current LTIP was adopted by shareholders in 2004 and expires in 2014. This has prompted the Remuneration Committee to review the efficacy of the incentive arrangements which form part of the Marston's executive remuneration policy. After extensive consultation with, and good support from, our major shareholders, shareholder approval for a new LTIP is being sought at the AGM.

The key objective for the Remuneration Committee has been to devise a plan which will use appropriate measures consistent with Marston's current strategic objectives: delivery of sustainable growth; increasing ROC and reducing leverage. The Remuneration Committee has therefore concluded that performance measures for the LTIP should be a combination of Return on Capital, Free Cash Flow, and Relative Total Shareholder Return.

The detailed performance metrics proposed are as follows:

	% linked to award	Threshold vesting at 25% of the maximum award	Vesting at 50% of the maximum award	Maximum vesting at 100% of the maximum award
CROCCE	40%	Base +0.25%	Base +0.5%	Base +1.0%
FCF	40%	Base +7.5% average growth per annum	Base +15% average growth per annum	Base +30% average growth per annum
Relative TSR	20%	Median		Upper quintile

There will be straight-line vesting between the points and no reward below threshold performance. The base amounts will be set at a level that is considered stretching but without encouraging undue risk.

- **CROCCE:** Cash Return On Cash Capital Employed. The use of CROCCE (as opposed to an EBIT return on book value) removes potential distortions from subjective decisions on depreciation policy and asset revaluation. CROCCE will be based on the budget target for 2014. Threshold vesting for this measure would only be earned if this target is exceeded by 0.25% over the three year period.
- **FCF:** Free Cash Flow. This reflects the operating cash flow of the business after tax and interest which is available to return to shareholders as dividends; to reinvest to increase returns; or to pay down debt. It is more closely aligned to operating performance than a simple leverage ratio. FCF in 2014 will be set as a three year cumulative amount based on the budget for 2014, 2015 and 2016 projections. Awards will only be earned if FCF exceeds that cumulative level at the end of three years by at least 7.5%.
- **Relative TSR:** Total Shareholder Return compared against the FTSE 250 (excluding investment trusts). The Remuneration Committee believe that a wider comparator group is a more robust and realistic way of measuring how shareholders value the Company and, furthermore, have set the maximum reward at upper quintile performance recognising our commitment to ensuring there are demanding performance targets. In addition, the Remuneration Committee will require that the element of the award associated with TSR performance will only be earned if underlying financial performance supports it.

The weightings for each measure have been set to balance what the Remuneration Committee consider to be the direction of focus for management in its day to day direction of the business with its ultimate responsibility to shareholders. In order to maintain transparency the Remuneration Committee will disclose how the Company has performed against each of the performance metrics following the end of the performance period.

The maximum award under the new LTIP will be increased from 100% of salary to 125%. The Remuneration Committee considers that a maximum award of 125% is appropriate given the level of stretch in the proposed targets, without encouraging excessive risk.

In conjunction with the increase in maximum potential the Remuneration Committee proposes that the amount that will vest at threshold is reduced to 25% of the maximum award from 35%. This means that, with a maximum opportunity of 125% of salary, the threshold amount earned would be 31.25% of salary compared to 35% under the existing LTIP.

The Remuneration Committee is also conscious that, due to their age, the 2004 LTIP rules do not reflect best practice in terms of governance and administration of incentive awards. The 2014 LTIP therefore includes updated provisions to reflect current best practice. A summary of the key terms of the proposed 2014 LTIP rules is set out in the notice of the AGM.

Total pension entitlements (for defined benefit schemes)

The defined benefit scheme was closed to new entrants from 29 September 1997. Ralph Findlay left the Marston's Scheme on 5 April 2012 and takes a salary supplement of 25% of base salary in lieu of future pension provision. David Thompson ceased to contribute to and be an active member of the defined benefit scheme as at 31 August 2013.

The details of pensions accrued in the defined benefit scheme are shown in the table below:

	Accrued pension at 30.09.13 £	Change in accrued pension over 2012/13 excluding increase for inflation £	Normal Retirement Date
Peter Dalzell	61,828	14,570	65
Ralph Findlay	105,793	(1,029)	60
David Thompson	180,783	1,195	60

Early retirement can be taken from age 55 provided the Group gives its consent. The accrued pension will then be reduced to take account of its early payment.

On death before retirement, a spouse's pension is payable equal to one-third of the member's pension for Ralph Findlay and Peter Dalzell, plus a lump sum is payable equal to the Director's contributions (including those made via salary sacrifice). On death after retirement the spouse's pension payable is two-thirds of the member's pre-commutation pension for David Thompson, and 60% for Peter Dalzell and Ralph Findlay.

Defined contribution scheme

The Group makes contributions into the Group Personal Pension Plan ("GPPP") on behalf of Andrew Andrea. A rate of 20% of base salary (paid partly as a GPPP contribution and partly as a taxable cash supplement) is payable in return for a minimum personal contribution of 7.5%. For the period ended 5 October 2013, the Group contribution for Andrew Andrea was £61,800, being £20,342 pension contribution and a salary supplement of £41,458.

In 2012/3 Ralph Findlay received a taxable cash supplement of 25% of basic salary in lieu of pension contributions.

Payments to past directors

There were no payments made to past Directors during the period in respect of services provided to the Company as a Director.

Payments for loss of office

On leaving the Company on 31 August David Thompson received a payment of £101,850. This comprised a payment in lieu of three months' unexpired contractual notice of £50,925 and the balance in respect of compensation for loss of office. Both payments have been included in David's taxable benefits figure on page 46.

Statement of Directors' shareholding and share interests

Executive Directors are expected to build up and maintain a shareholding in the Company equal to at least one times' salary. As at 5 October 2013, Andrew Andrea held 37%, Peter Dalzell held 23% and Ralph Findlay held in excess of 100% of base salary (based on the cost of acquisition).

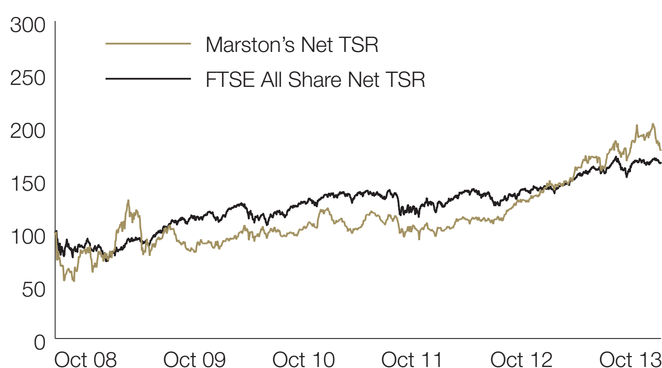
Director	Type	Owned outright	Exercised during the year	Unvested		Total as at 5 October 2013
				Subject to performance conditions	Not subject to performance conditions	
Executive						
Andrew Andrea	Shares	114,785	N/A	N/A	N/A	**114,785**
	Nil cost options	N/A	0	818,044	N/A	**818,044**
	SAYE options	N/A	11,826	N/A	7,330	**7,330**
Peter Dalzell	Shares	61,220	N/A	N/A	N/A	**61,220**
	Nil cost options	N/A	0	459,050	N/A	**459,050**
	SAYE options	N/A	0	N/A	20,302	**20,302**
Ralph Findlay	Shares	859,547	N/A	N/A	N/A	**859,547**
	Nil cost options	N/A	0	1,318,513	N/A	**1,318,513**
	SAYE options	N/A	0	N/A	20,302	**20,302**
Non-Executive						
Nick Backhouse	Shares	0				**0**
Rosalind Cuschieri	Shares	88,126				**88,126**
Roger Devlin	Shares	0				**0**
Neil Goulden	Shares	268,000				**268,000**
Lord Hodgson	Shares	80,972				**80,972**
Robin Rowland	Shares	52,083				**52,083**
David Thompson	Shares	1,665,679				**1,665,679***

*as at 31 August 2013

The following sections of the Remuneration Report are not subject to audit.

Performance graph and table

This graph shows the value, at 5 October 2013, of £100 invested in the Company on 6 October 2008 compared to the value of £100 invested in the FTSE All Share index. The FTSE All Share Index has been selected as a comparator because the Company is a member of that index.



Chief Executive Officer Remuneration for previous five years

	Total Remuneration	Annual Bonus (% of maximum opportunity)	LTIP (% of maximum number of shares)
2012/13	£636,080	0.0%	0.0%
2011/12	£815,690	40.0%	0.0%
2010/11	£974,784	46.0%	0.0%
2009/10	£826,677	40.0%	0.0%
2008/09	£640,190	0.0%	0.0%

Percentage change in Chief Executive Officer Remuneration

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in remuneration for Ralph Findlay compared to the wider workforce. For these purposes, this includes head office and supply chain employees but excludes pub based staff as the majority of these employees have their remuneration rate set by statute rather than the market.

Percentage change	CEO	Wider Workforce
Salary	3.12%	3.0%
Taxable benefits[1]	–	–
Annual Bonus[2]	–	–

1. Car allowances remained the same and the related taxable benefits were amended in accordance with HM Revenue & Customs guidelines. Private medical insurance premiums increased by 18% for the eligible wider workforce, including the CEO. The average percentage change in taxable benefits does not produce a meaningful comparison.
2. With the exception of a small number of operational employees within the wider workforce, no bonuses were payable this year based on Group performance. Therefore the percentage change in bonus compared to the prior year is not a meaningful comparison.

Relative importance of spend on pay

The following table sets out the percentage change in dividends and the overall expenditure on pay (as a whole across the organisation).

	2012	2013	% change
Dividends	£34.7m[1]	**£36.5m[2]**	5.2%
Overall expenditure on pay	£154.1m	**£166.1m**	7.8%

1 Dividends payable in respect of the period ended 29 September 2012.
2 Dividends payable in respect of the period ended 5 October 2013.

Committees and Advisers

The Remuneration Committee met four times during the period and comprises Lord Hodgson (Chairman), Rosalind Cuschieri, Neil Goulden and Robin Rowland all of whom are regarded by the Company as independent Non-executive Directors.

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee is responsible for:

- Setting the framework and policy for Executive Directors' remuneration;
- Determining the remuneration packages for the Executive Directors and Chairman;
- Monitoring the level and structure of remuneration for senior management and approving bonus payments; and
- Noting any major changes in employee benefit structures throughout the Group and ensuring that Executive Director remuneration practice is consistent with any such changes.

Advisers

During the period the Committee invited advice from a number of individuals to ensure its decision making was informed and took account of pay and conditions in the Group as a whole and wider market conditions. These individuals comprise:

- Deloitte LLP (Deloitte). Appointed by the Committee in 2003, Deloitte is retained to provide independent advice to the Committee as required and have confirmed they remain independent. During the period, Deloitte has also provided advice on various tax issues and internal audit services to the Company. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing advice to the Remuneration Committee amounted to £6,950 (2012: £6,200).
- KORN/FERRY Whitehead Mann. Appointed by the Nomination Committee to lead the search for a new Chairman, the agency provided advice to the Board as a whole in setting the new Chairman's fees.
- Ralph Findlay, Chief Executive Officer, provided advice in respect of the remuneration of the other Executive Directors but was not in attendance when his own remuneration was discussed.
- Anne-Marie Brennan, Company Secretary, acts as secretary to the Committee.

Statement of voting at last AGM

The Company remains committed to on-going shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the resolution to approve the Directors' Remuneration Report at the Company's Annual General Meeting on 22 January 2013:

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve Remuneration Report	97,457,903	99.77%	227,150	0.23%	786,844

Additional information

The text and tables that follow comprise the information required by the UKLA Listing Rules 9.8.6 and 9.8.8 that is not found elsewhere in the Remuneration Report. This section is audited.

Executive Directors' interests in the LTIP

The individual interests for the Executive Directors which represent the maximum aggregate number of shares to which each individual could become entitled are as follows:

	Date of grant[1]	At 30.09.12	Granted	Vested	Lapsed	At 05.10.13[2]	Exercise period from[3]
Andrew Andrea	01.07.10	253,699	–	–	253,699	**0**	N/A
	24.06.11	292,307	–	–	–	**292,307**	24.06.14
	15.06.12	314,960	–	–	–	**314,960**	15.06.15
	20.06.13	–	210,777	–	–	**210,777**	20.06.16
Peter Dalzell	01.07.10	51,026	–	–	51,026	**0**	N/A
	24.06.11	50,993	–	–	–	**50,993**	24.06.14
	15.06.12	220,472	–	–	–	**220,472**	15.06.15
	20.06.13	–	187,585	–	–	**187,585**	20.06.16
Ralph Findlay	01.07.10	459,534	–	–	459,534	**0**	N/A
	24.06.11	476,923	–	–	–	**476,923**	24.06.14
	15.06.12	503,937	–	–	–	**503,937**	15.06.15
	20.06.13	–	337,653	–	–	**337,653**	20.06.16

1 Each 2011 grant comprised an HMRC approved option (over 30,769 shares) and an unapproved award for the balance. A corresponding linked award was also made to enable the participant to fund the exercise of the approved option. Each linked award is satisfied by shares from the Company's employee benefit trust which are used to fund the approved option exercise price. These shares are then retained by the trust and not delivered to the participant.

2 The mid-market ordinary share price on 4 October 2013 (5 October being a Saturday) was 145.40p and the daily mid-market share price range during the period was 144.20p to 165.50p.

3 Provided that the required shareholding and the performance conditions are met, options granted under the LTIP will not expire until the tenth anniversary of the date of the grant. The performance conditions to which awards under the LTIP are subject are set out on page 48.

Executive Directors' interests in the SAYE

The individual interests of the Executive Directors under the SAYE scheme are as follows:

	Date of Grant	At 30.09.12	Granted	Exercised	Cancelled	At 05.10.13	Option price (p)	Exercisable from
Andrew Andrea	25.06.10	11,826	–	11,826	–	**0**	76.10	01.09.13
	19.06.13	0	7,330	0	0	**7,330**	122.77	01.09.16
Peter Dalzell	25.06.10	20,302	0	0	0	**20,302**	76.10	01.09.15
Ralph Findlay	25.06.10	20,302	–	–	–	**20,302**	76.10	01.09.15

Directors' pensions

Defined contribution scheme

The Group makes contributions into the Group Personal Pension Plan (GPPP) on behalf of Andrew Andrea. A rate of 20% of base salary (paid partly as a GPPP contribution and partly as a taxable cash supplement) is payable in return for a minimum personal contribution of 7.5%. For the period ended 5 October 2013, the Group contribution for Andrew Andrea was £61,800, being £20,342 pension contribution and a salary supplement of £41,458.

In 2012/3 Ralph Findlay received a taxable cash supplement of 25% of basic salary in lieu of pension contributions.

Defined benefit scheme

The following Directors accrued benefits under the Marston's Scheme:

	Accrued pension at 30.09.13 £	Change in accrued pension over 2012/13 excluding increase for inflation £	Transfer Value at 30.09.13 £	Transfer Value at 30.09.12 £	Change in Transfer Value over 2012/13 net of members' contributions £	Transfer Value of the increase in the accrued pension £
Peter Dalzell	**61,828**	14,570	670,561	473,784	196,777	170,960
Ralph Findlay	**105,793**	(1,029)	1,863,646	1,772,263	91,383	39,882
David Thompson	**180,783**	1,195	3,646,612	3,304,427	342,185	137,760

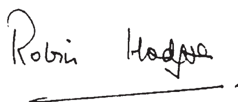
Notes to the table:

1. The accrued pension is the amount that the Director would receive annually on retirement based on service to the end of the period (or to date of leaving).
2. The change in accrued pension during the period reflects that inflation over the period has been 3.2%, being the measure of RPI to September 2013.
3. The Transfer Values at 30 September 2013 are calculated in accordance with the cash equivalent transfer value basis adopted by the Trustee on 5 September 2012 after taking advice from the Scheme Actuary.
4. David Thompson ceased to contribute to and be an active member of the Marston's Scheme as at 31 August 2013.

Additional information regarding the Marston's Scheme:

1. Normal retirement age is 60 for Ralph Findlay and David Thompson, and 65 for Peter Dalzell. Early retirement can be taken from age 55 provided the Group gives its consent. The accrued pension will then be reduced to take account of its early payment.
2. On death before retirement, a spouse's pension is payable equal to one-third of the members' pension for Ralph Findlay and Peter Dalzell, plus a lump sum is payable equal to the Director's contributions (including those made via salary sacrifice). On death after retirement the spouse's pension payable is two-thirds of the member's pre-commutation pension for David Thompson, and 60% for Peter Dalzell and Ralph Findlay.
3. The normal contribution rate for Peter Dalzell is 10.5%, paid by way of salary sacrifice.
4. There are no discretionary benefits.

This report was approved by the Board and signed on its behalf by



Lord Hodgson
Chairman of the Remuneration Committee
28 November 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRS as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 26 and 27 confirm that, to the best of their knowledge:

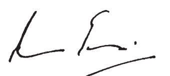
- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Strategic Report contained on pages 1 to 25 includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Disclosure of information to Auditors

In accordance with Section 418, Directors' reports shall include a statement, in the case of each Director in office at the date the Directors' report is approved, that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.



Ralph Findlay
Chief Executive Officer
28 November 2013

Andrew Andrea
Chief Financial Officer

FIVE YEAR RECORD

	2009 (52 weeks) £m	2010 (52 weeks) £m	2011 (52 weeks) £m	2012 (52 weeks) £m	**2013 (53 weeks) £m**
Revenue	645.1	650.7	682.2	719.7	**782.9**
Profit before exceptional items	70.3	73.5	80.4	87.8	**88.4**
Exceptional items	(48.9)	(21.0)	0.4	(223.3)	**(18.6)**
Profit/(loss) before taxation	21.4	52.5	80.8	(135.5)	**69.8**
Taxation*	(5.0)	(5.0)	(12.0)	25.2	**(11.2)**
Profit/(loss) after taxation	16.4	47.5	68.8	(110.3)	**58.6**
Net assets	783.2	780.5	817.6	762.0	**841.9**
Earnings/(loss) per ordinary share	3.9p	8.3p	12.1p	(19.4)p	**10.3p**
Exceptional items	9.5p	1.7p	(0.9)p	31.7p	**2.0p**
Earnings per ordinary share before exceptional items	13.4p	10.0p	11.2p	12.3p	**12.3p**
Dividend per ordinary share	7.1p	5.8p	5.8p	6.1p	**6.4p**
Retail Price Index	100.0	104.6	110.5	113.4	**117.0**
Earnings/(loss) per share performance	100.0	212.8	310.3	(497.4)	**264.1**
Earnings per share performance before exceptional items	100.0	74.6	83.6	91.8	**91.8**
Dividend performance	100.0	81.7	81.7	85.9	**90.1**

* Taxation includes the tax impact on exceptional items together with exceptional credits of £3.1 million in 2013, £2.1 million in 2012, £5.0 million in 2011 and £2.1 million in 2010 in respect of the change in corporation tax rate.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARSTON'S PLC

REPORT ON THE GROUP FINANCIAL STATEMENTS

Our opinion

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 5 October 2013 and of the Group's profit and cash flows for the 53 week period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say below.

What we have audited

The Group financial statements, which are prepared by Marston's PLC, comprise:

- the Group Balance Sheet as at 5 October 2013;
- the Group Income Statement and Group Statement of Comprehensive Income for the 53 week period then ended;
- the Group Statement of Changes in Equity and Group Cash Flow Statement for the 53 week period then ended; and
- the notes to the Group financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRS as adopted by the European Union.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)).

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £4.5 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group is structured along four business lines, being Destination and Premium, Taverns, Leased and Brewing, together with Group Services. The Group financial statements are a consolidation of subsidiaries, principally comprising the Group's operating businesses, property companies, holding companies and an insurance company.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed, and each active subsidiary and business line was subject to audit. This gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of audit focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 37.

Area of focus	*How the scope of our audit addressed the area of focus*
Valuation of properties We focused on the Directors' annual assessment of the carrying value of land and buildings because properties are a significant item on the balance sheet and there are complex and subjective assumptions used in the valuations, including the future expected performance of pubs.	We obtained the Directors' valuation and impairment analysis and discussed with the Group's estates team. We also considered any further market indicators including changes in macroeconomic and consumer trends and recent transactions and the associated multiples. We challenged the assumptions on future earnings and multiples applied by management and considered the impact of movements in key assumptions.
Disclosure of items as 'exceptional' The financial statements include certain items which are disclosed as exceptional. We focused on this area because exceptional items are not defined by IFRS as adopted by the European Union and it therefore requires judgement by the Directors to identify such items. Consistency in identifying and disclosing items as exceptional is important to maintain comparability of the results with previous years.	We assessed the appropriateness of the Group's accounting policy and whether those items disclosed as exceptional were consistent with the accounting policy and the approach taken in previous accounting periods. We assessed whether other non-recurring items should have been classified as exceptional and discussed this with the Directors and the Audit Committee to check whether items meeting the criteria in the Group's accounting policy had been identified and whether the treatment was consistent year on year.
Accounting for uncertain tax positions The Group has a number of outstanding corporate and indirect tax positions where recognition in the financial statements is judgemental given the uncertainty of settlement. We focused on this area because these matters have not yet been resolved with HM Revenue & Customs and the Directors have had to make judgements about the recognition or non-recognition of the benefits associated with the tax positions.	We have examined correspondence with HM Revenue & Customs and any legal challenges and assessed the position taken by the Directors' in respect of these uncertainties. We have evaluated the appropriateness of the recognition or non-recognition of the benefits associated with these tax positions.
Fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results. We focused in particular on the recognition of revenue within the Brewing segment. This was identified as a risk due to the large number of deliveries and the existence of discounts which could have a material impact on revenue if misstated.	Our procedures included testing that delivery requirements were satisfied where appropriate and that revenue generated at point of sale was reconciled to cash receipts net of discounts We also responded to the risk that manual adjustments could override standard procedures to misstate revenue by auditing manual journals relating to revenue.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment and tested key reconciliations and manual journal entries. We considered whether there was evidence of bias by the Directors in the significant accounting estimates and judgements relevant to the financial statements.

Going Concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 29, in relation to going concern. We have nothing to report having performed our review.

As noted in the Statement of Directors' Responsibilities, set out on page 54, the Directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

OPINION ON MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the Group financial statements are prepared is consistent with the Group financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the Report to shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

On page 54 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 37, as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 54, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER MATTER

We have reported separately on the parent Company financial statements of Marston's PLC for the 53 week period ended 5 October 2013 and on the information in the Directors' Remuneration Report that is described as having been audited.

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
28 November 2013

GROUP INCOME STATEMENT

For the 53 weeks ended 5 October 2013

	Note	2013 Before exceptional items £m	2013 Exceptional items £m	2013 Total £m	2012 Before exceptional items £m	2012 Exceptional items £m	2012 Total £m
Revenue	2, 3	**782.9**	**–**	**782.9**	719.7	–	719.7
Operating expenses*	3, 4	**(614.6)**	**(21.6)**	**(636.2)**	(561.8)	(215.1)	(776.9)
Operating profit/(loss)	2	**168.3**	**(21.6)**	**146.7**	157.9	(215.1)	(57.2)
Finance costs	6	**(82.3)**	**(0.5)**	**(82.8)**	(70.8)	(26.2)	(97.0)
Finance income	6	**2.4**	**–**	**2.4**	0.7	15.1	15.8
Movement in fair value of interest rate swaps	4, 6	**–**	**3.5**	**3.5**	–	2.9	2.9
Net finance costs	4, 6	**(79.9)**	**3.0**	**(76.9)**	(70.1)	(8.2)	(78.3)
Profit/(loss) before taxation		**88.4**	**(18.6)**	**69.8**	87.8	(223.3)	(135.5)
Taxation	4, 7	**(18.4)**	**7.2**	**(11.2)**	(17.9)	43.1	25.2
Profit/(loss) for the period attributable to equity shareholders		**70.0**	**(11.4)**	**58.6**	69.9	(180.2)	(110.3)
Earnings/(loss) per share:							
Basic earnings/(loss) per share	9			**10.3p**			(19.4)p
Basic earnings per share before exceptional items	9			**12.3p**			12.3p
Diluted earnings/(loss) per share	9			**10.2p**			(19.4)p
Diluted earnings per share before exceptional items	9			**12.2p**			12.2p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the 53 weeks ended 5 October 2013

	2013 £m	2012 £m
Profit/(loss) for the period	**58.6**	(110.3)
Items of other comprehensive income that may subsequently be reclassified to profit or loss		
Gains/(losses) arising on cash flow hedges	**24.9**	(54.7)
Transfers to the income statement on cash flow hedges	**24.7**	21.5
Tax on items that may subsequently be reclassified to profit or loss	**(15.0)**	5.0
	34.6	(28.2)
Items of other comprehensive income that will not be reclassified to profit or loss		
Actuarial gains/(losses) on retirement benefits	**3.6**	(45.2)
Unrealised surplus on revaluation of properties*	**2.1**	329.9
Reversal of past revaluation surplus*	**–**	(136.9)
Tax on items that will not be reclassified to profit or loss	**14.7**	(31.9)
	20.4	115.9
Other comprehensive income for the period	**55.0**	87.7
Total comprehensive income/(expense) for the period	**113.6**	(22.6)

* During the prior period a revaluation of the Group's freehold and leasehold properties was undertaken, resulting in a net decrease in property values of £21.6 million. An unrealised surplus on revaluation of £329.9 million, and a reversal of past revaluation surplus of £136.9 million, were recognised in the revaluation reserve, and a net charge of £214.6 million was recognised in the income statement. Further detail is provided in notes 4, 11, 12 and 15 to the financial statements.

GROUP CASH FLOW STATEMENT

For the 53 weeks ended 5 October 2013

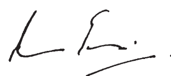
	Note	**2013 £m**	2012 £m
Operating activities			
Operating profit before exceptional items		**168.3**	157.9
Depreciation and amortisation		**35.8**	40.7
EBITDA before exceptional items		**204.1**	198.6
Exceptional operating items		**(20.3)**	(215.1)
EBITDA after exceptional items		**183.8**	(16.5)
Working capital and non-cash movements	29	**8.9**	210.1
Difference between defined benefit pension contributions paid and amounts charged		**(15.2)**	(12.9)
Income tax paid		**(8.1)**	(12.3)
Net cash inflow from operating activities		**169.4**	168.4
Investing activities			
Interest received		**0.5**	0.6
Sale of property, plant and equipment and assets held for sale		**44.7**	48.3
Purchase of property, plant and equipment and intangible assets		**(150.8)**	(129.8)
Movement in other non-current assets		**1.5**	2.8
Net cash outflow from investing activities		**(104.1)**	(78.1)
Financing activities			
Equity dividends paid	8	**(35.3)**	(33.5)
Interest paid		**(78.3)**	(73.3)
Arrangement costs of bank facilities		**(0.1)**	(3.5)
Arrangement costs of other lease related borrowings		**(7.0)**	–
Proceeds of ordinary share capital issued		**1.1**	0.2
Repayment of securitised debt		**(22.7)**	(21.4)
Repayment of bank loans		**–**	(126.0)
Advance of bank loans		**16.0**	175.0
Capital element of finance leases repaid		**(0.3)**	–
Advance of other lease related borrowings		**94.6**	–
Net cash outflow from financing activities		**(32.0)**	(82.5)
Net increase in cash and cash equivalents	30	**33.3**	7.8

GROUP BALANCE SHEET

As at 5 October 2013

	Note	5 October 2013 £m	29 September 2012 £m
ASSETS			
Non-current assets			
Goodwill	10	**224.2**	224.2
Other intangible assets	11	**24.1**	23.5
Property, plant and equipment	12	**2,063.6**	1,995.6
Deferred tax assets	22	**47.3**	71.4
Other non-current assets	13	**12.8**	14.3
		2,372.0	2,329.0
Current assets			
Inventories	14	**21.5**	22.2
Trade and other receivables	16	**69.0**	62.5
Derivative financial instruments	18	**6.8**	13.7
Cash and cash equivalents	30	**94.1**	60.8
		191.4	159.2
Assets held for sale	15	**59.9**	39.2
LIABILITIES			
Current liabilities			
Borrowings	17	**(22.7)**	(21.3)
Derivative financial instruments	18	**(6.8)**	(14.1)
Trade and other payables	21	**(174.3)**	(156.9)
Current tax liabilities		**(25.9)**	(23.4)
		(229.7)	(215.7)
Non-current liabilities			
Borrowings	17	**(1,262.4)**	(1,160.6)
Derivative financial instruments	18	**(134.6)**	(187.3)
Retirement benefit obligations	25	**(5.1)**	(24.5)
Deferred tax liabilities	22	**(135.5)**	(159.0)
Other non-current liabilities	23	**(0.5)**	(0.6)
Provisions for other liabilities and charges	24	**(13.6)**	(17.7)
		(1,551.7)	(1,549.7)
Net assets		**841.9**	762.0
Shareholders' equity			
Equity share capital	27	**44.4**	44.3
Share premium account		**333.8**	332.8
Revaluation reserve		**575.3**	560.4
Capital redemption reserve	28	**6.8**	6.8
Hedging reserve		**(95.0)**	(129.6)
Own shares	28	**(130.9)**	(130.9)
Retained earnings		**107.5**	78.2
Total equity		**841.9**	762.0

The financial statements on pages 59 to 96 were approved by the Board on 28 November 2013 and signed on its behalf by:



Ralph Findlay
Chief Executive Officer
28 November 2013

GROUP STATEMENT OF CHANGES IN EQUITY

For the 53 weeks ended 5 October 2013

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 30 September 2012	44.3	332.8	560.4	6.8	(129.6)	(130.9)	78.2	762.0
Profit for the period	–	–	–	–	–	–	58.6	58.6
Actuarial gains	–	–	–	–	–	–	3.5	3.5
Tax on actuarial gains	–	–	–	–	–	–	(0.9)	(0.9)
Post-retirement medical benefits	–	–	–	–	–	–	0.1	0.1
Gains on cash flow hedges	–	–	–	–	24.9	–	–	24.9
Transfers to the income statement on cash flow hedges	–	–	–	–	24.7	–	–	24.7
Tax on hedging reserve movements	–	–	–	–	(15.0)	–	–	(15.0)
Property revaluation	–	–	2.1	–	–	–	–	2.1
Deferred tax on properties	–	–	15.6	–	–	–	–	15.6
Total comprehensive income	–	–	17.7	–	34.6	–	61.3	113.6
Share-based payments	–	–	–	–	–	–	0.2	0.2
Tax on share-based payments	–	–	–	–	–	–	0.3	0.3
Issue of shares	0.1	1.0	–	–	–	–	–	1.1
Disposal of properties	–	–	(2.1)	–	–	–	2.1	–
Transfer to retained earnings	–	–	(0.7)	–	–	–	0.7	–
Dividends paid	–	–	–	–	–	–	(35.3)	(35.3)
Total transactions with owners	0.1	1.0	(2.8)	–	–	–	(32.0)	(33.7)
At 5 October 2013	**44.4**	**333.8**	**575.3**	**6.8**	**(95.0)**	**(130.9)**	**107.5**	**841.9**

	Equity share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 2 October 2011	44.3	332.6	41.5	411.4	6.8	(101.4)	(130.9)	213.3	817.6
Loss for the period	–	–	–	–	–	–	–	(110.3)	(110.3)
Actuarial losses	–	–	–	–	–	–	–	(45.0)	(45.0)
Tax on actuarial losses	–	–	–	–	–	–	–	10.7	10.7
Post-retirement medical benefits	–	–	–	–	–	–	–	(0.2)	(0.2)
Losses on cash flow hedges	–	–	–	–	–	(54.7)	–	–	(54.7)
Transfers to the income statement on cash flow hedges	–	–	–	–	–	21.5	–	–	21.5
Tax on hedging reserve movements	–	–	–	–	–	5.0	–	–	5.0
Property revaluation	–	–	–	329.9	–	–	–	–	329.9
Property impairment	–	–	–	(136.9)	–	–	–	–	(136.9)
Deferred tax on properties	–	–	–	(42.6)	–	–	–	–	(42.6)
Total comprehensive income/(expense)	–	–	–	150.4	–	(28.2)	–	(144.8)	(22.6)
Share-based payments	–	–	–	–	–	–	–	0.2	0.2
Tax on share-based payments	–	–	–	–	–	–	–	0.1	0.1
Issue of shares	–	0.2	–	–	–	–	–	–	0.2
Disposal of properties	–	–	–	(1.1)	–	–	–	1.1	–
Transfer to retained earnings	–	–	(41.5)	(0.3)	–	–	–	41.8	–
Dividends paid	–	–	–	–	–	–	–	(33.5)	(33.5)
Total transactions with owners	–	0.2	(41.5)	(1.4)	–	–	–	9.7	(33.0)
At 29 September 2012	**44.3**	**332.8**	**–**	**560.4**	**6.8**	**(129.6)**	**(130.9)**	**78.2**	**762.0**

Further detail in respect of the Group's equity is provided in notes 27 and 28 to the financial statements.

1. ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements for the 53 weeks ended 5 October 2013 (2012: 52 weeks ended 29 September 2012) have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally land and buildings, derivative financial instruments, retirement benefits and share-based payments.

New standards and interpretations

The International Accounting Standards Board (IASB) and IFRIC have issued the following new or revised standards and interpretations with an effective date for financial periods beginning on or after the dates disclosed below and therefore after the date of these financial statements:

IFRS 1	First-time Adoption of International Financial Reporting Standards Amendments for government loan with a below-market rate of interest when transitioning to IFRS	1 January 2013
IFRS 7	Financial Instruments: Disclosures Amendments relating to the offsetting of assets and liabilities	1 January 2013
IFRS 9	Financial Instruments: Classification and Measurement New accounting standard	1 January 2015
IFRS 10	Consolidated Financial Statements New accounting standard	1 January 2013
IFRS 11	Joint Arrangements New accounting standard	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities New accounting standard	1 January 2013
IFRS 13	Fair Value Measurement New accounting standard	1 January 2013
IAS 19	Employee Benefits Amended standard resulting from the Post-Employment Benefits and Termination Benefits projects	1 January 2013
IAS 27	Consolidated and Separate Financial Statements Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	1 January 2013
IAS 28	Investments in Associates Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)	1 January 2013
IAS 32	Financial Instruments: Presentation Amendments relating to the offsetting of assets and liabilities	1 January 2014
IAS 36	Impairment of Assets Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement Amendments for novations of derivatives	1 January 2014
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
IFRIC 21	Levies	1 January 2014

The IASB have also issued a number of minor amendments to standards as part of their Annual Improvements to IFRS.

Adopting the amendments to IAS 19 will require the Group to recognise a single net interest component in respect of its defined benefit pension scheme, calculated by applying the discount rate to the net defined benefit liability/asset. If the Group had adopted the revised standard in the current period there would have been net expense of £2.2 million in respect of the defined benefit pension scheme rather than net income of £0.1 million.

The Directors do not anticipate that the adoption of any of the other above new standards or amendments will have a material impact on the Group's reported income or net assets in the period of adoption.

Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of Marston's PLC and all of its subsidiary undertakings. The results of new subsidiary undertakings are included in the Group accounts from the date on which control transferred to the Group or, in the case of disposals, up to the effective date of disposal. Transactions between Group companies are eliminated on consolidation.

1. ACCOUNTING POLICIES CONTINUED

The Group has applied the purchase method in accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the consideration paid and deferred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition costs are expensed as incurred. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the identifiable net assets of the subsidiary acquired, the difference is recognised immediately in the income statement.

The consolidated financial statements also incorporate the results of Marston's Issuer PLC, a company set up with the sole purpose of issuing debt secured on assets owned by the Group. The Directors of Marston's PLC consider this company meets the definition of a special purpose entity under SIC 12 'Consolidation – Special Purpose Entities' and hence for the purpose of the consolidated financial statements it has been treated as a subsidiary undertaking.

Revenue and other operating income

Revenue represents the value of goods (principally drink and food) and services (principally accommodation, gaming machines and third party brewing and packaging) supplied to customers, and rents receivable from licensed properties. Revenue from drink, food, accommodation, brewing and packaging is recognised at the point at which the goods or services are provided. Gaming machine income is recognised as earned. Rental income is recognised in the period to which it relates. Revenue is recorded net of discounts, intra group transactions, VAT and excise duty relating to the brewing and packaging of certain products. Other operating income comprises mainly rents receivable from unlicensed properties, which is recognised in the period to which it relates.

Operating segments

For segment reporting purposes the Group is considered to have five distinguishable operating segments, being Destination and Premium, Taverns, Leased, Brewing and Group Services. This mirrors the Group's internal reporting structure, and reflects the different distribution channels, customer profiles and nature of products and services provided within each segment. An element of Group Services' costs is allocated to each of the trading segments.

The operating segments set out in note 2 are consistent with the internal reporting provided to the chief operating decision maker. For the purposes of IFRS 8 the chief operating decision maker has been identified as the Executive Directors.

Acquired businesses are treated as separate reporting segments, where material, until they have been fully integrated with the Group's operating segments.

Exceptional items

Exceptional items are defined as those items that, by virtue of their nature, size or expected frequency, warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the Group. As management of the freehold and leasehold property estate is an essential and significant area of the business, the threshold for classification of property related items as exceptional is higher than other items.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Intangible assets arising on acquisition of subsidiaries are recognised separately from goodwill if the fair value of these assets can be identified separately and measured reliably.

Amortisation is calculated on a straight-line basis over the estimated useful life of the intangible asset. Where the useful life of the asset is considered to be indefinite no annual amortisation is provided but the asset is subject to annual impairment reviews. Impairment reviews are carried out more frequently if events or changes in circumstances indicate that the carrying value of an asset may be impaired.

The useful lives of the Group's intangible assets are:

Acquired brands	Indefinite
Lease premiums	Life of the lease
Computer software	5 to 15 years
Development costs	10 years

Any impairment of carrying value is charged to the income statement.

Research and development expenditure

All expenditure on the research phase of an internal project is expensed as incurred.

1. ACCOUNTING POLICIES CONTINUED

Development costs are recognised as an intangible asset when the following conditions are met:

- It is technically feasible to complete the intangible asset so that it will be available for use;
- Management intends to complete the asset and use or sell it;
- There is an ability to use or sell the asset;
- It can be demonstrated how the asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the asset are available; and
- The expenditure attributable to the asset during its development can be reliably measured.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Goodwill

Goodwill arising on acquisitions is capitalised and represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets and liabilities acquired. Goodwill is not amortised but instead is reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the income statement.

For the purposes of impairment testing, goodwill is allocated to cash generating units that are consistent with the Group's operating segments.

Property, plant and equipment

- Freehold and leasehold properties are initially stated at cost and subsequently at valuation. Plant and machinery and fixtures, fittings, tools and equipment are stated at cost.
- Depreciation is charged to the income statement on a straight-line basis to provide for the cost of the assets less residual value over their useful lives.
- Freehold and long leasehold buildings are depreciated to residual value over 50 years.
- Short leasehold properties are depreciated over the life of the lease.
- Plant and machinery and fixtures, fittings, tools and equipment are depreciated over periods ranging from 3 to 15 years.
- Own labour and interest costs directly attributable to capital projects are capitalised.
- Land is not depreciated.

Residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Properties are revalued by qualified valuers on a sufficiently regular basis using open market value so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. Substantially all of the Group's properties have been externally valued in accordance with the Royal Institution of Chartered Surveyors' Red Book. These valuations are performed directly by reference to observable prices in an active market or recent market transactions on arm's length terms. Internal valuations are performed on the same basis.

The estate is reviewed for indication of impairment at each reporting date, using a process focusing on areas of risk and business performance throughout the portfolio to identify any exposure.

Impairment losses are charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the income statement. Surpluses on revaluation are recognised in the revaluation reserve, except to the extent that they reverse previously charged impairment losses, in which case the reversal is recorded in the income statement.

Disposals of property, plant and equipment

Profit/loss on disposal of property, plant and equipment represents net sale proceeds less the carrying value of the assets. Any element of the revaluation reserve relating to the property disposed of is transferred to retained earnings at the date of sale.

Impairment

If there are indications of impairment or reversal of impairment, an assessment is made of the recoverable amount. An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets, including goodwill. The recoverable amount is the higher of value in use and fair market value less costs to sell.

Where there is an indication that any previously recognised impairment losses no longer exist or have decreased, a reversal of the loss is made if there has been a change in the estimates used to determine the recoverable amounts since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior periods. The reversal is recognised in the income statement unless the asset is carried at revalued amount. The reversal of an impairment loss on a revalued asset is recognised in other comprehensive income and increases the revaluation surplus for that asset. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, the reversal of that impairment loss is recognised in the income statement. The depreciation charge is adjusted in future periods to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life. There is no reversal of impairment losses relating to goodwill.

1. ACCOUNTING POLICIES CONTINUED

Acquired brands are reviewed for impairment on a portfolio basis.

Leases

Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The cost of assets held under finance leases is included within property, plant and equipment and depreciation is charged in accordance with the accounting policy for each class of asset concerned. The corresponding capital obligations under these leases are shown as liabilities. The finance charge element of rentals is charged to the income statement and classified within finance costs as incurred.

Rental costs under operating leases, including lease incentives, are charged to the income statement on a straight-line basis over the term of the lease. Similarly, income receivable under operating leases is credited to the income statement on a straight-line basis over the term of the lease.

Obligations arising from sale and leaseback arrangements with repurchase options that do not fall within the scope of IAS 17 'Leases' are classified as other lease related borrowings and accounted for in accordance with IAS 39 'Financial Instruments: Recognition and Measurement'.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials are valued on a 'first in, first out' basis, with the exception of hops which are valued at average cost. Finished goods and work in progress include direct materials, labour and a proportion of attributable overheads.

Assets held for sale

Assets, typically properties and related fixtures and fittings, are categorised as held for sale when the value of the asset will be recovered through a sale transaction rather than continuing use. This condition is met when the sale is highly probable, the asset is available for immediate sale in its present condition and is being actively marketed. In addition, the Group must be committed to the sale and completion should be expected to occur within one year from the date of classification. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell, and are no longer depreciated.

Financial instruments

The Group classifies its financial assets in one of the following two categories: at fair value through profit or loss and loans and receivables. The Group classifies its financial liabilities in one of the following two categories: at fair value through profit or loss and other financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of the Group's financial instruments at initial recognition.

Financial instruments at fair value through profit or loss

Derivatives are categorised as financial instruments at fair value through profit or loss unless they are designated as part of a hedge relationship. The Group holds no other financial instruments at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise trade receivables, other receivables, trade loans and cash and cash equivalents in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

Other financial liabilities

Non-derivative financial liabilities are classified as other financial liabilities. The Group's other financial liabilities comprise borrowings, trade payables and other payables. Other financial liabilities are carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group assesses whether there is objective evidence that a financial asset is impaired at each balance sheet date.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Derivative financial instruments

The only derivative financial instruments that the Group enters into are interest rate swaps. The purpose of these transactions is to manage the interest rate risk arising from the Group's operations and its sources of finance.

1. ACCOUNTING POLICIES CONTINUED

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within exceptional finance income or costs.

Gains or losses arising from changes in the fair value of derivatives which are not designated as part of a hedging relationship are presented in the income statement within exceptional finance income or costs in the period in which they arise.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. The fair values of derivatives which are not designated as part of a hedging relationship are classified as current assets or liabilities. Accrued interest is recognised separately in current assets or liabilities as appropriate.

At the inception of a hedging transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within exceptional finance income or costs.

Amounts that have been recognised in other comprehensive income in respect of cash flow hedges are reclassified from equity to profit and loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flow affects profit or loss.

Trade receivables and other receivables

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. A provision for impairment of trade receivables and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade or other receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other net operating charges. When a trade or other receivable is uncollectable, it is written off against the allowance account for trade or other receivables. Subsequent recoveries of amounts previously written off are credited against other net operating charges in the income statement.

Trade loans

In common with other major brewers, the Group makes trade loans to publicans who purchase the Group's beer. These trade loans are classified as other non-current assets in the balance sheet and are recognised initially at fair value and subsequently at amortised cost less provision for impairment. Significant trade loans are secured against the property of the loan recipient.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits on call with banks. Bank overdrafts are shown within borrowings in current liabilities. For the purpose of the cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance costs.

Borrowing costs are recognised as an expense in the period in which they are incurred, except for gross interest costs incurred on the financing of major projects, which are capitalised until the time that the projects are available for use.

1. ACCOUNTING POLICIES CONTINUED

Trade payables and other payables
Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Employee benefits
Pension costs for the Group's defined benefit pension scheme are determined by the Projected Unit Credit Method, with actuarial calculations being carried out at each period end date. Costs are recognised separately as operating and finance costs in the income statement. Operating costs comprise the current service cost, any income or expenses on settlements or curtailments and past service costs where the benefits have vested. Finance items comprise the interest on scheme liabilities and the expected return on scheme assets.

Actuarial gains or losses comprising differences between the actual and expected return on scheme assets, changes in scheme liabilities due to experience and changes in actuarial assumptions are recognised in full in the period in which they occur in the statement of comprehensive income.

The liability/asset recognised in the balance sheet for the defined benefit pension scheme is the present value of scheme liabilities less the fair value of scheme assets. Where the fair value of scheme assets exceeds the present value of scheme liabilities, the Group recognises an asset at the lower of the fair value of scheme assets less the present value of scheme liabilities, and the total of any cumulative unrecognised past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Pension costs for the Group's defined contribution pension schemes are charged to the income statement in the period in which they arise.

Post-retirement medical benefits are accounted for in an identical way to the Group's defined benefit pension scheme.

Key management personnel
Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of the Group. In the case of Marston's PLC, the Directors of the Group are considered to be the only key management personnel.

Current and deferred tax
The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date and is measured at the amount expected to be paid to or recovered from the tax authorities.

Deferred tax is provided in full, using the liability method, on all differences that have originated but not reversed by the balance sheet date, and which give rise to an obligation to pay more or less tax in the future. Differences are defined as the differences between the carrying value of assets and liabilities and their tax base.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

Deferred tax is calculated using tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Provisions
Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as provisions. These provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The key assumptions used in the discounted cash flow calculation are the discount rate and the market rents and vacant periods of the properties.

Other contractual property costs are also recorded as provisions as appropriate.

Share-based payments
The fair value of share-based remuneration at the date of grant is calculated using the Black-Scholes option-pricing model and charged to the income statement on a straight-line basis over the vesting period of the award. The charge to the income statement takes account of the estimated number of shares that will vest.

Non-vesting conditions are taken into account when determining the fair value of the Group's share-based payments, and all cancellations of share-based payments, whether by the Group or by employees, are accounted for in an identical manner with any costs unrecognised at the date of cancellation being immediately accelerated.

1. ACCOUNTING POLICIES CONTINUED

Own shares

Own shares consist of treasury shares, shares held within a Long Term Incentive Plan (LTIP) and shares held within an Executive Share Option Plan (ESOP), which are used for the granting of shares to applicable employees.

Own shares are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to equity. No income or expense is recognised in the performance statements on own share transactions.

Dividends

Dividends proposed by the Board but unpaid at the period end are recognised in the financial statements when they have been approved by the shareholders. Interim dividends are recognised when paid.

Transactions and balance sheet items in a foreign currency

Transactions in a foreign currency are translated to sterling using the exchange rate at the date of the transaction. Monetary receivables and payables are remeasured at closing day rates at each balance sheet date. Exchange gains or losses that arise from such remeasurement and on settlement of the transaction are recognised in the income statement. Translation differences for non-monetary assets valued at fair value through profit or loss are reported as part of the fair value gain or loss. Gains or losses on disposal of non-monetary assets are recognised in the income statement.

Key assumptions and significant judgements

IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Group's key assumptions and significant judgements are in respect of property, plant and equipment, taxation, impairment, retirement benefits, financial instruments, property lease provisions, share-based payments and exceptional items. Details of these assumptions and judgements are set out in the relevant accounting policy and detailed note to the financial statements as set out below:

Property, plant and equipment
- Valuation of properties (see accounting policy).
- Assets' useful lives and residual values (see accounting policy).

Taxation
- Assumptions in respect of the resolution of outstanding corporate and indirect tax matters with HM Revenue & Customs (see accounting policies for current and deferred tax and provisions).

Impairment
- Assumptions made in the value in use calculation, in particular the pre-tax discount rate applied to cash flow projections and the growth rate used to extrapolate projected cash flows beyond one year budgets (notes 10 and 11).

Retirement benefits
- Actuarial assumptions in respect of the defined benefit pension scheme, which include discount rates, rates of increase in pensionable salaries, rates of increase in pensions, inflation rates, expected returns on scheme assets and life expectancies (note 25).

Financial instruments
- Valuation of financial instruments that are not traded in an active market (note 20).

Property lease provisions
- Assumptions made in the discounted cash flow calculation, in particular market rents, vacant periods and discount rates (see accounting policy).

Share-based payments
- Inputs to the Black-Scholes option-pricing model, which include dividend yield, expected volatilities and risk free interest rates (note 26).

Exceptional items
- Determination of items to be classed as exceptional (see accounting policy).

2. SEGMENT REPORTING

For segment reporting purposes the Group is considered to have five distinguishable operating segments as follows:

Segment	Revenue
Destination and Premium	Food and drink sales, accommodation and gaming machine income
Taverns	Food and drink sales, rent from licensed properties, accommodation and gaming machine income
Leased	Rent from licensed properties and gaming machine income
Brewing	Drink sales and third party brewing and packaging
Group Services	N/A

In the prior period the Group had four distinguishable operating segments being Managed Pubs, Tenanted and Franchised, Brewing and Group Services. The Group has now restructured how its pub operations are managed and reported. The five operating segments set out above reflect this new structure. The results for the 52 weeks ended 29 September 2012 have been restated to reflect these revised segments.

Transfer prices between operating segments are on an arm's length basis.

53 weeks ended 5 October 2013	Destination and Premium £m	Taverns £m	Leased £m	Brewing £m	Group Services £m	Group £m
Income statement						
Revenue	349.2	250.8	55.6	171.1	–	826.7
Less: sales to other segments	–	–	–	(43.8)	–	(43.8)
	349.2	250.8	55.6	127.3	–	782.9
Operating expenses before exceptional items	(278.9)	(181.3)	(29.6)	(110.4)	(14.4)	(614.6)
Operating profit/(loss) before exceptional items	70.3	69.5	26.0	16.9	(14.4)	168.3
Exceptional items	(6.6)	(7.0)	(0.2)	(7.2)	(0.6)	(21.6)
Operating profit/(loss)	63.7	62.5	25.8	9.7	(15.0)	146.7
Finance costs						(82.8)
Finance income						2.4
Movement in fair value of interest rate swaps						3.5
Profit before taxation						69.8
Taxation						(11.2)
Profit for the period attributable to equity shareholders						**58.6**
Balance sheet						
Segment assets	1,057.7	849.6	348.7	180.8	38.3	2,475.1
Unallocated assets						
Deferred tax assets						47.3
Derivative financial instruments						6.8
Cash and cash equivalents						94.1
Total assets						**2,623.3**
Segment liabilities	(94.0)	(20.3)	(10.2)	(35.1)	(28.8)	(188.4)
Unallocated liabilities						
Borrowings						(1,285.1)
Current tax liabilities						(25.9)
Retirement benefit obligations						(5.1)
Deferred tax liabilities						(135.5)
Derivative financial instruments						(141.4)
Total liabilities						**(1,781.4)**
Other segment information						
Capital expenditure						
Intangible assets	0.2	–	–	–	1.5	1.7
Property, plant and equipment	121.1	23.6	5.7	15.4	6.0	171.8
Amortisation of intangible assets	0.3	0.2	–	–	0.5	1.0
Depreciation of property, plant and equipment	14.3	9.3	2.0	8.4	2.1	36.1

2. SEGMENT REPORTING CONTINUED

52 weeks ended 29 September 2012 (restated)	Destination and Premium £m	Taverns £m	Leased £m	Brewing £m	Group Services £m	Group £m
Income statement						
Revenue	306.1	241.6	58.3	142.8	–	748.8
Less: sales to other segments	–	–	–	(29.1)	–	(29.1)
	306.1	241.6	58.3	113.7	–	719.7
Operating expenses before exceptional items	(249.3)	(168.4)	(32.3)	(97.3)	(14.5)	(561.8)
Operating profit/(loss) before exceptional items	56.8	73.2	26.0	16.4	(14.5)	157.9
Exceptional items	(33.9)	(154.3)	(22.2)	(3.7)	(1.0)	(215.1)
Operating profit/(loss)	22.9	(81.1)	3.8	12.7	(15.5)	(57.2)
Finance costs						(97.0)
Finance income						15.8
Movement in fair value of interest rate swaps						2.9
Loss before taxation						(135.5)
Taxation						25.2
Loss for the period attributable to equity shareholders						**(110.3)**
Balance sheet						
Segment assets	946.4	869.4	350.7	176.9	38.1	2,381.5
Unallocated assets						
Deferred tax assets						71.4
Derivative financial instruments						13.7
Cash and cash equivalents						60.8
Total assets						**2,527.4**
Segment liabilities	(89.4)	(20.9)	(10.4)	(32.5)	(22.0)	(175.2)
Unallocated liabilities						
Borrowings						(1,181.9)
Current tax liabilities						(23.4)
Retirement benefit obligations						(24.5)
Deferred tax liabilities						(159.0)
Derivative financial instruments						(201.4)
Total liabilities						**(1,765.4)**
Other segment information						
Capital expenditure						
Intangible assets	0.3	0.4	–	0.1	–	0.8
Property, plant and equipment	81.9	34.0	3.6	8.0	4.0	131.5
Amortisation of intangible assets	0.3	0.3	–	–	0.4	1.0
Depreciation of property, plant and equipment	14.0	12.9	2.7	8.1	2.0	39.7
Revaluation/impairment of properties						
Income statement	(33.9)	(154.3)	(22.2)	(3.7)	(0.5)	(214.6)
Revaluation reserve	202.9	(58.3)	42.9	1.3	4.2	193.0

Geographical areas

Revenue generated outside the United Kingdom during the period was £3.5 million (2012: £3.3 million).

3. REVENUE AND OPERATING EXPENSES

Revenue	2013 £m	2012 £m
Goods	**722.3**	657.9
Services	**60.6**	61.8
	782.9	719.7

Revenue from services includes rents receivable from licensed properties of £24.3 million (2012: £28.2 million).

Operating expenses	2013 £m	2012 £m
Change in stocks of finished goods and work in progress	**0.6**	(2.4)
Own work capitalised	**(3.9)**	(2.7)
Other operating income	**(8.7)**	(7.2)
Raw materials, consumables and excise duties	**268.9**	239.4
Depreciation of property, plant and equipment	**36.1**	39.7
Amortisation of intangible assets	**1.0**	1.0
Employee costs	**166.6**	154.1
Hire of plant and machinery	**0.8**	0.8
Other operating lease rentals	**11.2**	10.5
Income from other non-current assets	**(0.3)**	(0.4)
Impairment of freehold and leasehold properties	**(2.5)**	215.1
Other net operating charges	**166.4**	129.0
	636.2	776.9

An exceptional charge of £4.6 million (2012: £nil) is included in employee costs, an exceptional charge of £1.3 million (2012: £nil) is included in depreciation of property, plant and equipment and an exceptional charge of £15.7 million (2012: £nil) is included in other net operating charges.

Impairment of freehold and leasehold properties of £215.1 million was recognised as an exceptional item in the prior period.

PricewaterhouseCoopers LLP fees:	2013 £m	2012 £m
Fees payable to the Company's Auditors for the audit of the Company's annual accounts	**0.1**	0.2
Fees payable to the Company's Auditors for other services to the Group:		
The audit of the Company's subsidiaries	**0.1**	0.1
Audit related assurance services	**0.1**	0.1
	0.3	0.4

4. EXCEPTIONAL ITEMS

	2013 £m	2012 £m
Operating items		
Reorganisation and non-core estate disposal costs	**10.8**	–
Write-off of cellar equipment	**4.9**	–
Recognition of provision for repayment of Rank refunds received	**5.9**	–
Impairment of freehold and leasehold properties	**–**	215.1
	21.6	215.1
Non-operating items		
Interest on Rank refunds	**0.5**	–
Write-off of unamortised finance costs	**–**	2.8
Interest on outstanding tax liabilities	**–**	3.7
Transfer of cumulative hedging loss from equity to the income statement	**–**	0.8
Gain on recognition of interest rate swaps	**–**	(15.1)
Loss on recognition of interest rate swaps	**–**	18.9
Movement in fair value of interest rate swaps	**(3.5)**	(2.9)
	(3.0)	8.2
	18.6	223.3

4. EXCEPTIONAL ITEMS CONTINUED

Reorganisation and non-core estate disposal costs

During the current period the Group restructured both its pub estate and its operating segments. An exceptional charge of £10.8 million, including the net loss on disposal of non-core properties, was recognised during the period in respect of this.

Write-off of cellar equipment

As part of a review of its fixed asset register the Group identified various items of cellar equipment which it assessed were no longer in use by the business and which would not have been utilised in the current period. These assets were subsequently written off with the charge and depreciation for the period shown as an exceptional item.

Rank refunds

In previous periods the Group received refunds totalling £5.9 million from HM Revenue & Customs (HMRC). This followed Tribunal/Court of Appeal hearings involving The Rank Group Plc ('Rank'), which concluded that there had been a breach of fiscal neutrality in the treatment of gaming machine income as liable to UK VAT. HMRC issued protective assessments to recover the repayments pending the result of further Court hearings. On 30 October 2013 the Court of Appeal found in favour of HMRC and as such it is likely that the Group will be required to repay the refunds of £5.9 million plus interest of £0.5 million thereon. A provision for these amounts has therefore been recognised in the period.

Movement in fair value of interest rate swaps

The Group's interest rate swaps are revalued to fair value at each balance sheet date. The movement in fair value of interest rate swaps which are not designated as part of a hedge relationship, and the ineffective portion of the movement in fair value of interest rate swaps which are accounted for as hedging instruments are both recognised in the income statement. The net gain of £3.5 million (2012: £2.9 million) is shown as an exceptional item.

Impact of taxation

The current tax credit relating to the above exceptional items amounts to £1.8 million (2012: £3.0 million). The deferred tax credit relating to the above exceptional items amounts to £2.3 million (2012: £38.0 million). In addition, £3.1 million (2012: £2.1 million) has been credited as exceptional in relation to the change in corporation tax rate (note 7).

Prior period exceptional items

At 1 July 2012 the Group's freehold and leasehold properties were revalued by independent chartered surveyors on an open market value basis. The resulting revaluation adjustments were taken to the revaluation reserve or income statement as appropriate. The amount recognised in the income statement comprised:

	2012 £m
Impairment of other intangible assets (note 11)	0.8
Impairment of property, plant and equipment (note 12)	214.5
Reversal of impairment of property, plant and equipment (note 12)	(1.9)
Impairment of assets held for sale (note 15)	1.2
Valuation fees	0.5
	215.1

During the prior period the Group entered into a new bank facility. As such the unamortised finance costs relating to the previous facility were written off.

During the prior period the Group recognised the interest on outstanding tax liabilities in respect of a number of tax issues under negotiation with HMRC.

The Group held an interest rate swap of £20.0 million which was designated as a cash flow hedge of the forecast floating rate interest payments arising on the first £20.0 million of borrowings under the Group's previous bank facility. As the Group entered into a new bank facility in the prior period, these forecast transactions were no longer expected to occur. Therefore the cumulative hedging loss of £0.8 million that had been reported in equity was transferred to the income statement.

On 22 March 2012 the Group entered into four new fixed-to-floating interest rate swaps of £35.0 million each. In total, these swaps were equal and opposite to the two existing floating-to-fixed interest rate swaps of £70.0 million each, which the Group entered into in order to fix the interest rate payable on the Group's unsecured bank borrowings. The total fair value of the four new swaps at inception was £15.1 million.

On 22 March 2012 the Group also entered into two new floating-to-fixed interest rate swaps of £60.0 million each. Going forward these swaps will fix the interest rate on the Group's unsecured bank borrowings. In total, the fair value of these two new swaps at inception was £(18.9) million.

Further details in respect of these swaps are given in note 20.

5. EMPLOYEES

Employee costs	2013 £m	2012 £m
Wages and salaries	**148.1**	139.8
Social security costs	**10.9**	10.1
Pension costs	**4.4**	3.9
Share-based payments	**0.2**	0.2
Termination costs	**3.0**	0.1
	166.6	154.1

An exceptional charge of £4.6 million (2012: £nil) is included in employee costs.

Average monthly number of employees	2013 Number	2012 Number
Bar staff	**10,611**	10,176
Management, administration and production	**2,117**	2,113

Key management personnel

Directors' emoluments are set out in the Directors' Remuneration Report on pages 38 to 53. The total cost to the Group of the Directors' remuneration for the period was £2.1 million (2012: £2.3 million), including employers' national insurance, pension costs and share-based payments.

6. FINANCE COSTS AND INCOME

Finance costs	2013 £m	2012 £m
Bank borrowings	**14.1**	11.4
Securitised debt	**61.8**	57.5
Finance leases	**0.8**	–
Other lease related borrowings	**3.4**	–
Other interest payable	**2.2**	1.9
	82.3	70.8
Exceptional finance costs		
Interest on Rank refunds	**0.5**	–
Write-off of unamortised finance costs	**–**	2.8
Interest on outstanding tax liabilities	**–**	3.7
Transfer of cumulative hedging loss from equity to the income statement	**–**	0.8
Loss on recognition of interest rate swaps	**–**	18.9
	0.5	26.2
Total finance costs	**82.8**	97.0
Finance income		
Deposit and other interest receivable	**(1.7)**	(0.2)
Net finance income in respect of retirement benefits	**(0.7)**	(0.5)
	(2.4)	(0.7)
Exceptional finance income		
Gain on recognition of interest rate swaps	**–**	(15.1)
	–	(15.1)
Total finance income	**(2.4)**	(15.8)
Movement in fair value of interest rate swaps		
Gain on movement in fair value of interest rate swaps	**(10.4)**	(4.3)
Loss on movement in fair value of interest rate swaps	**6.9**	1.4
	(3.5)	(2.9)
Net finance costs	**76.9**	78.3

Deposit and other interest receivable includes £1.5 million (2012: £nil) of interest in relation to income of £1.7 million (2012: £nil) from a VAT claim, which is included in other operating income.

7. TAXATION

Income statement	2013 £m	2012 £m
Current tax		
Current period	**13.1**	18.2
Credit in respect of tax on exceptional items	**(1.8)**	(3.0)
Adjustments in respect of prior periods	**(0.5)**	(1.9)
	10.8	13.3
Deferred tax		
Current period	**5.9**	2.1
Adjustments in respect of prior periods	**(0.1)**	(0.5)
Exceptional credit in relation to impairments	**–**	(38.8)
Exceptional (credit)/charge in respect of other exceptional items	**(2.3)**	0.8
Exceptional credit in relation to the change in tax rate	**(3.1)**	(2.1)
	0.4	(38.5)
Taxation charge/(credit) reported in the income statement	**11.2**	(25.2)

Statement of comprehensive income	2013 £m	2012 £m
Gains/(losses) on actuarial valuation of retirement benefits	**0.8**	(11.2)
Impairment and revaluation of properties	**(1.7)**	51.9
Gains/(losses) on cash flow hedges	**11.4**	(8.3)
Deferred tax credit in respect of the change in tax rate	**(10.2)**	(5.5)
Taxation charge reported in the statement of comprehensive income	**0.3**	26.9

Recognised directly in equity	2013 £m	2012 £m
Tax on share-based payments	**(0.3)**	(0.1)
Taxation credit recognised directly in equity	**(0.3)**	(0.1)

The actual tax rate for the period is lower (2012: higher) than the standard rate of corporation tax of 23.5% (2012: 25%). The differences are explained below:

Tax reconciliation	2013 £m	2012 £m
Profit/(loss) before tax	**69.8**	(135.5)
Profit/(loss) before tax multiplied by the corporation tax rate of 23.5% (2012: 25%)	**16.4**	(33.9)
Effect of:		
Adjustments to tax in respect of prior periods	**(0.6)**	(2.4)
Net deferred tax (credit)/charge in respect of land and buildings	**(1.9)**	12.8
Costs not deductible for tax purposes	**0.4**	0.4
Impact of change in tax rate	**(3.1)**	(2.1)
Current period taxation charge/(credit)	**11.2**	(25.2)

The March 2012 Budget announced that the standard rate of corporation tax would change from 26% to 24% with effect from 1 April 2012. Accordingly, the Group's losses for the prior period were taxed at an effective rate of 25%. The Budget also announced a further reduction in the standard rate of corporation tax from 24% to 22% phased in over two years at 1% per annum from April 2013. The change from 24% to 23% with effect from 1 April 2013 was enacted in the Finance Act 2012 in July 2012. As such an exceptional deferred tax credit of £2.1 million was recognised in the prior period and the Group's profits for the current period have been taxed at an effective rate of 23.5%.

The December 2012 Autumn Statement announced that the standard rate of corporation tax would now change from 23% to 21% with effect from 1 April 2014. The March 2013 Budget then announced that the standard rate of corporation tax would change from 21% to 20% with effect from 1 April 2015. These changes were both enacted in the Finance Act 2013 in July 2013. An exceptional deferred tax credit of £3.1 million was recognised in the current period in respect of this.

8. ORDINARY DIVIDENDS ON EQUITY SHARES

Paid in the period	2013 £m	2012 £m
Final dividend for 2012 of 3.90p per share (2011: 3.70p)	**22.2**	21.0
Interim dividend for 2013 of 2.30p per share (2012: 2.20p)	**13.1**	12.5
	35.3	33.5

A final dividend for 2013 of 4.10p per share amounting to £23.4 million has been proposed for approval at the Annual General Meeting, but has not been reflected in the financial statements.

This dividend will be paid on 3 February 2014 to those shareholders on the register at close of business on 20 December 2013.

9. EARNINGS PER ORDINARY SHARE

Basic earnings per share are calculated by dividing the profit/(loss) attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding treasury shares and those held in the Executive Share Option Plan and the Long Term Incentive Plan.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the weighted average market price of the Company's shares during the period.

Underlying earnings per share figures are presented to exclude the effect of exceptional items. The Directors consider that the supplementary figures are a useful indicator of performance.

	2013		2012	
	Earnings £m	Per share amount p	Earnings £m	Per share amount p
Basic earnings/(loss) per share	**58.6**	**10.3**	(110.3)	(19.4)
Diluted earnings/(loss) per share*	**58.6**	**10.2**	(110.3)	(19.4)
Underlying earnings per share figures				
Basic earnings per share before exceptional items	**70.0**	**12.3**	69.9	12.3
Diluted earnings per share before exceptional items	**70.0**	**12.2**	69.9	12.2

* The 2012 diluted earnings per share is the same as the basic earnings per share as the inclusion of the dilutive potential ordinary shares would reduce the loss per share and as such is not dilutive in accordance with IAS 33 'Earnings per Share'.

	2013 m	2012 m
Basic weighted average number of shares	**569.4**	568.9
Dilutive options	**5.1**	4.6
Diluted weighted average number of shares	**574.5**	573.5

10. GOODWILL

	£m
Cost	
At 30 September 2012 and 5 October 2013	**225.3**
Aggregate impairment	
At 30 September 2012 and 5 October 2013	**1.1**
Net book amount at 29 September 2012	224.2
Net book amount at 5 October 2013	**224.2**

	£m
Cost	
At 2 October 2011 and 29 September 2012	**225.3**
Aggregate impairment	
At 2 October 2011 and 29 September 2012	**1.1**
Net book amount at 1 October 2011	224.2
Net book amount at 29 September 2012	**224.2**

Impairment testing of goodwill

Goodwill has been allocated across the operating segments, and the value of the recoverable amounts allocated to those segments has been estimated and compared to the carrying amounts. Recoverable amounts are determined based on the higher of value in use and fair value less costs to sell.

At 29 September 2012 the carrying amount of goodwill was allocated £115.2 million to Managed Pubs, £85.4 million to Tenanted and Franchised and £23.6 million to Brewing. The Group's operating segments were revised in the current period and, as such, at 5 October 2013 the carrying value of goodwill has been allocated £87.5 million to Destination and Premium, £86.6 million to Taverns, £26.5 million to Leased and £23.6 million to Brewing. Goodwill has been allocated to operating segments based on the extent to which the benefits of acquisitions flow to that segment.

The key assumptions used in determining value in use are the pre-tax discount rate applied to the cash flow projections of 7.5% (2012: 6.0%) and the growth rate used to extrapolate the projected cash flows beyond the one year budgets of 2.0% (2012: 2.0%) in line with an expected long-term growth rate which is below the long-term average growth rate for the industry. Risk factors are considered to be similar in each of the Group's operating segments.

Other commercial assumptions relate to market growth, market share and net selling prices. These assumptions are based on historic trends adjusted for management estimates of future prospects. These estimates take account of economic forecasts, marketing plans, political factors and assessments of competitors' strategy.

The above impairment tests demonstrated that the Group had substantial levels of headroom and as such no impairment of goodwill was required in the current or prior period.

11. OTHER INTANGIBLE ASSETS

	Acquired brands £m	Lease premiums £m	Computer software £m	Development costs £m	Total £m
Cost					
At 30 September 2012	19.3	2.0	7.3	0.1	28.7
Additions	–	–	1.7	–	1.7
Net transfers to assets held for sale and disposals	–	–	(0.2)	–	(0.2)
At 5 October 2013	**19.3**	**2.0**	**8.8**	**0.1**	**30.2**
Amortisation					
At 30 September 2012	–	1.4	3.8	–	5.2
Charge for the period	–	–	1.0	–	1.0
Net transfers to assets held for sale and disposals	–	–	(0.1)	–	(0.1)
At 5 October 2013	**–**	**1.4**	**4.7**	**–**	**6.1**
Net book amount at 29 September 2012	19.3	0.6	3.5	0.1	23.5
Net book amount at 5 October 2013	**19.3**	**0.6**	**4.1**	**0.1**	**24.1**

Acquired brands are initially recognised at their fair value on acquisition. Given the anticipated level of investment in acquired brands, and there being no legal or regulatory limits to their useful lives, they are regarded as having indefinite useful lives and no annual amortisation is provided.

Lease premiums classified as intangible assets are those acquired with new subsidiaries.

	Acquired brands £m	Lease premiums £m	Computer software £m	Development costs £m	Total £m
Cost					
At 2 October 2011	19.3	2.0	6.7	0.1	28.1
Additions	–	–	0.8	–	0.8
Net transfers to assets held for sale and disposals	–	–	(0.2)	–	(0.2)
At 29 September 2012	**19.3**	**2.0**	**7.3**	**0.1**	**28.7**
Amortisation					
At 2 October 2011	–	0.5	3.0	–	3.5
Charge for the period	–	0.1	0.9	–	1.0
Impairment	–	0.8	–	–	0.8
Net transfers to assets held for sale and disposals	–	–	(0.1)	–	(0.1)
At 29 September 2012	**–**	**1.4**	**3.8**	**–**	**5.2**
Net book amount at 1 October 2011	19.3	1.5	3.7	0.1	24.6
Net book amount at 29 September 2012	**19.3**	**0.6**	**3.5**	**0.1**	**23.5**

The carrying value of acquired brands is split as follows:

	2013 £m	2012 £m
Wychwood	**13.6**	13.6
Jennings	**2.8**	2.8
Ringwood	**2.9**	2.9
	19.3	19.3

Acquired brands relate to Brewing.

11. OTHER INTANGIBLE ASSETS CONTINUED

Impairment testing of acquired brands

The carrying values of acquired brands are subject to annual impairment reviews on a value in use basis. The recoverable amount of each brand is calculated based on anticipated future income generated by that brand. The key assumptions used in the impairment testing of brands are a pre-tax discount rate of 7.5% (2012: 6.0%) and a long-term growth rate used to extrapolate cash flows beyond the cash flow projection period of one year of 2.0% (2012: 2.0%) in line with an expected long-term growth rate which is below the long-term average growth rate for the industry. These assumptions are based on historic trends adjusted for management estimates of future prospects, and take account of economic forecasts, marketing plans, political factors and assessments of competitors' strategy.

The above impairment tests demonstrated that the Group had sufficient levels of headroom and as such no impairment of acquired brands was required in the current or prior period.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 30 September 2012	1,819.4	42.0	352.3	2,213.7
Additions	125.4	11.6	34.8	171.8
Net transfers to assets held for sale and disposals	(59.5)	(4.2)	(76.6)	(140.3)
Revaluation	4.3	–	–	4.3
At 5 October 2013	**1,889.6**	**49.4**	**310.5**	**2,249.5**
Depreciation				
At 30 September 2012	0.3	23.4	194.4	218.1
Charge for the period	1.9	3.3	30.9	36.1
Net transfers to assets held for sale and disposals	–	(4.0)	(64.0)	(68.0)
Revaluation	(0.3)	–	–	(0.3)
At 5 October 2013	**1.9**	**22.7**	**161.3**	**185.9**
Net book amount at 29 September 2012	1,819.1	18.6	157.9	1,995.6
Net book amount at 5 October 2013	**1,887.7**	**26.7**	**149.2**	**2,063.6**

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 2 October 2011	1,819.5	40.4	351.6	2,211.5
Additions	91.3	3.9	36.3	131.5
Net transfers to assets held for sale and disposals	(58.8)	(2.3)	(35.6)	(96.7)
Revaluation	(32.6)	–	–	(32.6)
At 29 September 2012	**1,819.4**	**42.0**	**352.3**	**2,213.7**
Depreciation				
At 2 October 2011	13.5	22.5	186.1	222.1
Charge for the period	2.0	3.2	34.5	39.7
Net transfers to assets held for sale and disposals	–	(2.3)	(28.4)	(30.7)
Revaluation/impairment	(15.2)	–	2.2	(13.0)
At 29 September 2012	**0.3**	**23.4**	**194.4**	**218.1**
Net book amount at 1 October 2011	1,806.0	17.9	165.5	1,989.4
Net book amount at 29 September 2012	**1,819.1**	**18.6**	**157.9**	**1,995.6**

12. PROPERTY, PLANT AND EQUIPMENT CONTINUED

The net book amount of land and buildings is split as follows:

	2013 £m	2012 £m
Freehold properties	**1,652.0**	1,607.3
Leasehold properties over 50 years unexpired	**211.4**	190.4
Leasehold properties under 50 years unexpired	**24.3**	21.4
	1,887.7	1,819.1

Cost or valuation of land and buildings comprises:

	2013 £m	2012 £m
Valuation	**1,770.2**	1,771.3
At cost	**119.4**	48.1
	1,889.6	1,819.4

If the freehold and leasehold properties had not been revalued, the historical cost net book amount would be £1,372.5 million (2012: £1,349.0 million).

Cost at 5 October 2013 includes £29.5 million (2012: £28.0 million) of assets in the course of construction.

Interest costs of £0.9 million (2012: £nil) were capitalised in respect of the financing of major projects, using the Group's bank borrowings interest rate.

Loss on disposal of property, plant and equipment and assets held for sale was £5.0 million (2012: profit of £2.2 million).

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £10.5 million (2012: £14.9 million).

The net book amount of land and buildings held under finance leases at 5 October 2013 was £21.4 million (2012: £nil). The net book amount of land and buildings held as part of sale and leaseback arrangements that do not fall within the scope of IAS 17 'Leases' was £112.0 million (2012: £nil).

Revaluation/impairment

During the current period various properties were reviewed for impairment and/or material changes in value. These valuation adjustments were recognised in the revaluation reserve or the income statement as appropriate.

At 1 July 2012 independent chartered surveyors revalued the Group's freehold and leasehold properties on an open market value basis. These valuations were incorporated into the financial statements and the resulting revaluation adjustments were taken to the revaluation reserve or income statement as appropriate.

The impact of the revaluations/impairments described above is as follows:

	2013 £m	2012 £m
Income statement:		
Revaluation loss charged as an impairment	**–**	(214.5)
Reversal of past impairments	**2.5**	1.9
	2.5	(212.6)
Revaluation reserve:		
Unrealised revaluation surplus	**2.1**	329.9
Reversal of past revaluation surplus	**–**	(136.9)
	2.1	193.0
Net increase/(decrease) in shareholders' equity/property, plant and equipment	**4.6**	(19.6)

13. OTHER NON-CURRENT ASSETS

Trade loans	2013 £m	2012 £m
At beginning of the period	**14.3**	17.1
Additions	**2.1**	2.1
Disposals, repayments and impairments	**(3.6)**	(4.9)
At end of the period	**12.8**	14.3

Other non-current assets are shown net of a provision of £1.5 million (2012: £1.7 million).

14. INVENTORIES

	2013 £m	2012 £m
Raw materials and consumables	**5.6**	5.7
Work in progress	**0.6**	0.5
Finished goods	**15.3**	16.0
	21.5	22.2

15. ASSETS HELD FOR SALE

	2013 £m	2012 £m
Properties	**59.9**	39.2

During the current and prior period, all properties classed as held for sale were reviewed for impairment. This review identified an impairment of £nil (2012: £1.2 million) which was taken to the income statement.

16. TRADE AND OTHER RECEIVABLES

	2013 £m	2012 £m
Trade receivables	**28.6**	27.1
Prepayments and accrued income	**25.7**	20.3
Other receivables	**14.7**	15.1
	69.0	62.5

Trade receivables are shown net of a provision of £0.7 million (2012: £0.9 million). Other receivables are shown net of a provision of £4.3 million (2012: £5.4 million).

The ageing analysis of trade receivables is as follows:

	2013 £m	2012 £m
Neither past due nor impaired	**22.5**	19.1
Less than 30 days	**2.4**	4.5
31 to 60 days	**0.7**	0.8
Greater than 60 days	**3.0**	2.7
	28.6	27.1

Included within other receivables is an amount of £6.2 million (2012: £6.8 million), net of provision, which relates to amounts due from tenants of licensed properties. A significant proportion of this balance is greater than 60 days old.

All of the Group's trade receivables are denominated in pounds sterling.

Included within trade receivables are balances which are past due at the balance sheet date but have not been provided for, as these are considered to be recoverable. These balances relate to established customers for whom there is no recent history of default. Trade receivables that are less than three months past due are not generally considered impaired unless there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

At 5 October 2013 the value of collateral held in the form of cash deposits was £8.5 million (2012: £8.5 million).

17. BORROWINGS

Current	2013 £m	2012 £m
Unsecured bank borrowings	**(0.8)**	(0.8)
Securitised debt	**23.4**	22.1
Finance leases	**0.1**	–
	22.7	21.3

Non-current	2013 £m	2012 £m
Unsecured bank borrowings	**189.6**	172.9
Securitised debt	**964.2**	987.6
Finance leases	**20.8**	–
Other lease related borrowings	**87.7**	–
Preference shares	**0.1**	0.1
	1,262.4	1,160.6

Unsecured bank borrowings due within one year represent unamortised issue costs expected to be charged to the income statement within 12 months of the balance sheet date.

Other lease related borrowings represent amounts due under sale and leaseback arrangements that do not fall within the scope of IAS 17 'Leases'.

All of the Group's borrowings are denominated in pounds sterling. There were no instances of default, including covenant terms, in either the current or prior period.

Maturity of borrowings

The maturity profile of the carrying amount of the Group's borrowings at the period end was as follows:

	2013			2012		
Due:	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m
Within one year	**24.1**	**(1.4)**	**22.7**	22.7	(1.4)	21.3
In more than one year but less than two years	**25.5**	**(1.4)**	**24.1**	199.0	(1.4)	197.6
In more than two years but less than five years	**276.5**	**(2.5)**	**274.0**	80.5	(3.0)	77.5
In more than five years	**976.1**	**(11.8)**	**964.3**	891.2	(5.7)	885.5
	1,302.2	**(17.1)**	**1,285.1**	1,193.4	(11.5)	1,181.9

Fair value of borrowings

The carrying amount and the fair value of the Group's borrowings are as follows:

	Carrying amount		Fair value	
	2013 £m	2012 £m	2013 £m	2012 £m
Unsecured bank borrowings	**191.0**	175.0	**191.0**	175.0
Securitised debt	**995.6**	1,018.3	**971.5**	879.3
Finance leases	**20.9**	–	**20.9**	–
Other lease related borrowings	**94.6**	–	**94.6**	–
Preference shares	**0.1**	0.1	**0.1**	0.1
	1,302.2	1,193.4	**1,278.1**	1,054.4

Preference shares

The Group has 75,000 (2012: 75,000) preference shares of £1 each in issue at the balance sheet date. The preference shares carry the right to a fixed cumulative preferential dividend at the rate of 6% per annum (they are also entitled to a non-cumulative dividend of 1% per annum provided that dividends of not less than £24,000 have been paid on the ordinary shares in that year). They participate in the event of a winding-up and on a return of capital and carry the right to attend and vote at general meetings of the Company, carrying four votes per share.

18. DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps	2013 £m	2012 £m
Current assets	**6.8**	13.7
Current liabilities	**(6.8)**	(14.1)
Non-current liabilities	**(134.6)**	(187.3)
	(134.6)	(187.7)

Details of the Group's interest rate swaps are provided in note 20.

19. SECURITISED DEBT

On 9 August 2005 £805.0 million of secured loan notes were issued in connection with the securitisation of 1,592 of the Group's pubs held in Marston's Pubs Limited. On 22 November 2007, a further £330.0 million of secured loan notes (tranches A4 and AB1) were issued in connection with the securitisation of an additional 437 of the Group's pubs, also held in Marston's Pubs Limited. The loan notes are secured over the properties and their future income streams and were issued by Marston's Issuer PLC, a special purpose entity.

During the period ended 5 October 2013, 104 (2012: 4) of the securitised pubs were sold to third parties and 5 pubs (2012: 5) were sold to another member of the Group. The carrying amount of the securitised pubs at 5 October 2013 was £1,409.8 million (2012: £1,414.4 million).

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Marston's Pubs Limited. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on the ability to move cash to other companies within the Group.

The securitised debt at 5 October 2013 consists of six tranches with the following principal terms:

Tranche	2013 £m	2012 £m	Interest	Principal repayment period – by instalments	Expected average life	Expected maturity date
A1	**131.6**	147.2	Floating	2013 to 2020	7 years	2020
A2	**214.0**	214.0	Fixed/floating	2020 to 2027	14 years	2027
A3	**200.0**	200.0	Fixed/floating	2027 to 2032	19 years	2032
A4	**215.0**	222.1	Floating	2013 to 2031	18 years	2031
AB1	**80.0**	80.0	Floating	2031 to 2035	22 years	2035
B	**155.0**	155.0	Fixed/floating	2032 to 2035	22 years	2035
	995.6	1,018.3				

Interest on the Class A1 notes was payable at three month LIBOR plus a margin of 0.55%, stepping up to three month LIBOR plus 1.375% from July 2012.

Interest on the Class A2 notes is payable at a rate of 5.1576% until July 2019 and thereafter at three month LIBOR plus a margin of 1.32%.

Interest on the Class A3 notes is payable at a rate of 5.1774% until April 2027 and thereafter at three month LIBOR plus a margin of 1.45%.

Interest on the Class A4 notes was payable at three month LIBOR plus a margin of 0.65%, stepping up to three month LIBOR plus 1.625% from October 2012.

Interest on the Class AB1 notes was payable at three month LIBOR plus a margin of 1.25%, stepping up to three month LIBOR plus 3.125% from October 2012.

Interest on the Class B notes is payable at a rate of 5.6410% until July 2019 and thereafter at three month LIBOR plus a margin of 2.55%.

All floating rate notes are hedged in full by the Group using interest rate swaps whereby all interest payments are swapped to fixed interest payable.

At 5 October 2013 Marston's Pubs Limited held cash of £76.6 million (2012: £51.0 million), which was governed by certain restrictions under the covenants associated with the securitisation.

20. FINANCIAL INSTRUMENTS

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

At 5 October 2013	Assets at fair value through profit or loss £m	Loans and receivables £m	Total £m
Assets as per the balance sheet			
Derivative financial instruments	6.8	–	6.8
Trade receivables (before provision)	–	29.3	29.3
Other receivables (before provision)	–	19.0	19.0
Trade loans (before provision)	–	14.3	14.3
Cash and cash equivalents	–	94.1	94.1
	6.8	**156.7**	**163.5**

At 5 October 2013	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
Liabilities as per the balance sheet				
Derivative financial instruments	134.6	6.8	–	141.4
Borrowings	–	–	1,285.1	1,285.1
Trade payables	–	–	71.0	71.0
Other payables	–	–	25.0	25.0
	134.6	**6.8**	**1,381.1**	**1,522.5**

At 29 September 2012	Assets at fair value through profit or loss £m	Loans and receivables £m	Total £m
Assets as per the balance sheet			
Derivative financial instruments	13.7	–	13.7
Trade receivables (before provision)	–	28.0	28.0
Other receivables (before provision)	–	20.5	20.5
Trade loans (before provision)	–	16.0	16.0
Cash and cash equivalents	–	60.8	60.8
	13.7	**125.3**	**139.0**

At 29 September 2012	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
Liabilities as per the balance sheet				
Derivative financial instruments	187.3	14.1	–	201.4
Borrowings	–	–	1,181.9	1,181.9
Trade payables	–	–	61.0	61.0
Other payables	–	–	26.6	26.6
	187.3	**14.1**	**1,269.5**	**1,470.9**

The fair value of financial instruments that are not traded in an active market, such as over-the-counter derivatives, is determined using valuation techniques. The Group obtains such valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

20. FINANCIAL INSTRUMENTS CONTINUED

The fair values of all financial instruments are equal to their book values, with the exception of borrowings (note 17). The carrying value less impairment provision of trade receivables, other receivables and trade loans, and the carrying value of trade payables and other payables, are assumed to approximate their fair values.

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – inputs for the asset or liability that are not based on observable market data.

The table below shows the level in the fair value hierarchy into which fair value measurements have been categorised:

	2013				2012			
Assets as per the balance sheet	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	**–**	**6.8**	**–**	**6.8**	–	13.7	–	13.7

	2013				2012			
Liabilities as per the balance sheet	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	**–**	**141.4**	**–**	**141.4**	–	201.4	–	201.4

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior period.

Over the life of the Group's derivative financial instruments, the cumulative fair value gain/loss on those instruments will be £nil as it is the Group's intention to hold them to maturity.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign currency risk), counterparty risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, investment of excess liquidity and use of derivative and non-derivative financial instruments.

Interest rate risk:

The Group's income and operating cash flows are substantially independent of changes in market interest rates, and as such the Group's interest rate risk arises from its long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on the income statement of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional amounts.

If interest rates had been 0.5% higher/lower during the period ended 5 October 2013, with all other variables held constant, post-tax profit/(loss) for the period would have been £0.3 million (2012: £0.3 million) lower/higher as a result of higher/lower interest expense.

20. FINANCIAL INSTRUMENTS CONTINUED

Interest rate swaps designated as part of a hedging arrangement

The Group uses interest rate swaps to fix the interest rate payable on the floating rate tranches of its securitised debt (note 19). The notional principal amounts of these interest rate swap contracts at 5 October 2013 totalled £426.6 million (2012: £449.3 million). These interest rate swaps, including borrowing margins, fix interest at 6.2% and 7.3%. The movement in fair value recognised in other comprehensive income in the period was a gain of £44.0 million (2012: loss of £28.5 million).

On 22 March 2012 the Group entered into two forward starting interest rate swaps of £60.0 million each to fix the interest rate payable on the Group's unsecured bank borrowings. The interest rate swaps commenced on 27 April 2012, fix interest at 4.1% and terminate on 30 April 2020. In total, the fair value of these two new swaps at inception was £(18.9) million (note 4). The movement in fair value recognised in other comprehensive income in the period was a gain of £5.6 million (2012: loss of £5.6 million). The movement in fair value recognised in the income statement in the period was a gain of £3.1 million (2012: £nil).

Interest rate swaps not designated as part of a hedging arrangement

On 1 October 2007 the Group entered into two interest rate swaps of £70.0 million each to fix the interest rate payable on the Group's unsecured bank borrowings. These interest rate swaps fix interest at 5.5% and 5.6% and terminate on 1 October 2014. The movement in fair value recognised in the income statement in the period was a gain of £6.9 million (2012: £3.9 million).

On 22 March 2012 the Group entered into four new fixed-to-floating interest rate swaps of £35.0 million each. In total, these swaps are equal and opposite to the above two floating-to-fixed interest rate swaps of £70.0 million each. The total fair value of the four new swaps at inception was £15.1 million (note 4). The movement in fair value recognised in the income statement in the period was a loss of £6.9 million (2012: £1.4 million).

On 20 May 2009 the Group entered into a forward starting interest rate swap of £20.0 million. This interest rate swap commenced on 9 August 2010, fixed interest at 3.3% and terminated on 8 August 2013. This swap had been designated as a cash flow hedge of the forecast floating rate interest payments arising on the first £20.0 million of borrowings under the Group's previous bank facility. During the prior period the Group entered into a new bank facility and as such these forecast transactions were no longer expected to occur. Therefore the cumulative hedging loss of £0.8 million that had been reported in equity was transferred to the income statement in the prior period. The movement in fair value recognised in other comprehensive income in the period was a gain of £nil (2012: £0.1 million). The movement in fair value recognised in the income statement in the period was a gain of £0.4 million (2012: £0.4 million).

The interest rate risk profile, after taking account of derivative financial instruments, is as follows:

	2013			2012		
	Floating rate financial liabilities £m	**Fixed rate financial liabilities £m**	**Total £m**	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m
Borrowings	**186.5**	**1,115.7**	**1,302.2**	35.0	1,158.4	1,193.4

The weighted average interest rate of the fixed rate financial borrowings was 5.8% (2012: 5.4%) and the weighted average period for which the rate is fixed was 16 years (2012: 16 years).

Foreign currency risk:

The Group buys and sells goods denominated in non-sterling currencies, principally US dollars and euros. As a result, movements in exchange rates can affect the value of the Group's income and expenditure. The Group's exposure in this area is not considered to be significant.

Counterparty risk:

The Group's counterparty risk in respect of its cash and cash equivalents is mitigated by the use of various banking institutions for its deposits.

There is no significant concentration of counterparty risk in respect of the Group's pension assets, as these are held with a range of institutions.

Credit risk:

Credit risk is managed on a Group basis. Credit risk arises from credit exposure to customers, including outstanding receivables and committed transactions. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, an assessment is made of the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of and adherence to credit limits is regularly monitored.

20. FINANCIAL INSTRUMENTS CONTINUED

A provision for impairment of trade receivables, other receivables and trade loans has been estimated by management and is based on prior experience and known factors at the balance sheet date after taking into account collateral held in the form of cash deposits and fixtures and fittings. Receivables are written off against the provision for impairment when management considers that the debt is no longer recoverable.

The Group has no significant concentration of credit risk in respect of its customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

Liquidity risk:

The Group applies a prudent liquidity risk management policy, which involves maintaining sufficient cash, ensuring the availability of funding through an adequate amount of committed credit facilities and having the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury maintains the availability of committed credit lines to ensure that the Group has flexibility in funding.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow. In addition, the Group's liquidity management policy involves maintaining debt financing plans, projecting cash flows and considering the level of liquid assets necessary to meet these, and monitoring balance sheet liquidity ratios against internal and external regulatory requirements. The Group's borrowing covenants are subject to regular review.

The table below analyses the Group's financial liabilities and non-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 5 October 2013	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings	70.8	73.5	413.7	1,352.6	1,910.6
Derivative financial instruments	29.2	19.7	34.0	74.3	157.2
Trade payables	71.0	–	–	–	71.0
Other payables	25.0	–	–	–	25.0
	196.0	**93.2**	**447.7**	**1,426.9**	**2,163.8**

At 29 September 2012	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings	69.7	69.9	388.9	1,407.4	1,935.9
Derivative financial instruments	30.5	29.6	56.4	105.0	221.5
Trade payables	61.0	–	–	–	61.0
Other payables	26.6	–	–	–	26.6
	187.8	**99.5**	**445.3**	**1,512.4**	**2,245.0**

21. TRADE AND OTHER PAYABLES

	2013 £m	2012 £m
Trade payables	**71.0**	61.0
Other taxes and social security	**32.4**	23.5
Accruals and deferred income	**45.9**	45.8
Other payables	**25.0**	26.6
	174.3	156.9

Other payables include £10.3 million (2012: £11.0 million) payable in respect of a supplier credit arrangement.

22. DEFERRED TAX

Net deferred tax liability

Deferred tax is calculated on temporary differences between tax bases of assets and liabilities and their carrying amounts under the liability method using a tax rate of 20% (2012: 23%). The movement on the deferred tax accounts is shown below:

	2013 £m	2012 £m
At beginning of the period	**87.6**	96.0
Charged/(credited) to the income statement	**0.4**	(38.5)
(Credited)/charged to equity		
Impairment and revaluation of properties	**(15.6)**	42.6
Hedging reserve	**15.0**	(5.0)
Retirement benefits	**0.9**	(7.4)
Share-based payments	**(0.1)**	(0.1)
At end of the period	**88.2**	87.6

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred tax liabilities	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Other £m	Total £m
At 30 September 2012	35.3	114.1	2.0	7.6	159.0
Credited to the income statement	(4.2)	–	(1.3)	(2.4)	(7.9)
Credited to equity	–	(15.6)	–	–	(15.6)
At 5 October 2013	**31.1**	**98.5**	**0.7**	**5.2**	**135.5**

Deferred tax assets	Pensions £m	Tax losses £m	Hedging reserve £m	Other £m	Total £m
At 30 September 2012	(5.6)	(23.5)	(38.8)	(3.5)	(71.4)
Charged to the income statement	3.7	2.8	–	1.8	8.3
Charged/(credited) to equity	0.9	–	15.0	(0.1)	15.8
At 5 October 2013	**(1.0)**	**(20.7)**	**(23.8)**	**(1.8)**	**(47.3)**

Net deferred tax liability	
At 29 September 2012	87.6
At 5 October 2013	**88.2**

Deferred tax liabilities	Pensions £m	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Other £m	Total £m
At 2 October 2011	1.8	37.4	107.0	6.9	6.2	159.3
(Credited)/charged to the income statement	–	(2.1)	(35.5)	(4.9)	1.4	(41.1)
(Credited)/charged to equity	(1.8)	–	42.6	–	–	40.8
At 29 September 2012	**–**	**35.3**	**114.1**	**2.0**	**7.6**	**159.0**

22. DEFERRED TAX CONTINUED

Deferred tax assets	Pensions £m	Tax losses £m	Hedging reserve £m	Other £m	Total £m
At 2 October 2011	–	(24.8)	(33.8)	(4.7)	(63.3)
Charged to the income statement	–	1.3	–	1.3	2.6
Credited to equity	(5.6)	–	(5.0)	(0.1)	(10.7)
At 29 September 2012	**(5.6)**	**(23.5)**	**(38.8)**	**(3.5)**	**(71.4)**

Net deferred tax liability	
At 1 October 2011	96.0
At 29 September 2012	**87.6**

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where it is probable that these assets will be recovered.

23. OTHER NON-CURRENT LIABILITIES

	2013 £m	2012 £m
Other liabilities	**0.5**	0.6

24. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Property leases	2013 £m	2012 £m
At beginning of the period	**17.7**	24.9
Released in the period	**(1.9)**	(4.6)
Provided in the period	**0.9**	2.7
Unwinding of discount	**0.7**	0.9
Utilised in the period	**(3.8)**	(6.2)
At end of the period	**13.6**	17.7

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as liabilities in provisions. Other contractual property costs are also recorded as provisions as appropriate.

Payments are expected to continue on these properties for periods of 1 to 56 years (2012: 1 to 57 years).

25. RETIREMENT BENEFITS

During the period the Group contributed to a funded defined benefit (final salary) pension scheme and a number of defined contribution arrangements.

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

	2013 £m	2012 £m
Defined contribution schemes	**3.8**	2.8

25. RETIREMENT BENEFITS CONTINUED

Defined benefit scheme

An updated actuarial valuation of the Marston's PLC Pension and Life Assurance Scheme was performed by Mercer as at 5 October 2013 for the purposes of IAS 19. The principal assumptions made by the actuaries were:

	2013	2012
Discount rate	**4.4%**	4.4%
Rate of increase in pensionable salaries	**3.7%**	3.1%
Rate of increase in pensions – 5% LPI	**3.1%**	2.6%
Rate of increase in pensions – 2.5% LPI	**2.1%**	1.9%
Inflation assumption (RPI)	**3.2%**	2.6%
Inflation assumption (CPI)	**2.2%**	2.0%
Expected return on scheme assets	**N/A**	4.9%
Life expectancy for active and deferred members from age 65		
Male	**23.5 years**	23.4 years
Female	**25.9 years**	25.8 years
Life expectancy for current pensioners from age 65		
Male	**21.7 years**	21.6 years
Female	**23.9 years**	23.8 years

The expected return on scheme assets was based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation. Mortality assumptions are based on standard tables adjusted for scheme experience and with an allowance for future improvement in life expectancy.

Movement in scheme assets and liabilities during the period:

	Scheme assets		**Scheme liabilities**		**Net deficit**	
	2013 £m	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m
At beginning of the period	**390.4**	368.7	**(414.9)**	(361.6)	**(24.5)**	7.1
Current service cost	**–**	–	**(2.0)**	(2.1)	**(2.0)**	(2.1)
Interest cost on benefit obligations	**–**	–	**(17.9)**	(18.8)	**(17.9)**	(18.8)
Expected return on scheme assets	**18.6**	19.3	**–**	–	**18.6**	19.3
Employer contributions	**15.8**	14.0	**–**	–	**15.8**	14.0
Employee contributions	**0.1**	0.1	**(0.1)**	(0.1)	**–**	–
Benefits paid	**(17.0)**	(16.6)	**17.0**	16.6	**–**	–
Curtailment gain	**–**	–	**1.4**	1.0	**1.4**	1.0
Actuarial gains/(losses)	**19.9**	4.9	**(16.4)**	(49.9)	**3.5**	(45.0)
At end of the period	**427.8**	390.4	**(432.9)**	(414.9)	**(5.1)**	(24.5)

A proportion of the scheme liabilities has been secured by a buy-in policy and as such this proportion of liabilities is matched by annuities.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2013	2012
Equities/Properties	**44.0%**	49.0%
Bonds/Gilts	**44.0%**	38.0%
Cash/Other	**1.0%**	1.0%
Buy-in policy (matching annuities)	**11.0%**	12.0%

The actual return on scheme assets was a gain of £38.5 million (2012: £24.2 million).

25. RETIREMENT BENEFITS CONTINUED

Pension costs recognised in the income statement

The amounts recognised in the income statement are as follows:

	2013 £m	2012 £m
Current service cost	**2.0**	2.1
Curtailment gain	**(1.4)**	(1.0)
Interest cost on benefit obligations	**17.9**	18.8
Expected return on scheme assets	**(18.6)**	(19.3)
Total (income)/expense recognised in the income statement	**(0.1)**	0.6

A charge of £0.6 million (2012: £1.1 million) is included within employee costs (note 5) and a credit of £0.7 million (2012: £0.5 million) is included within finance costs and income (note 6).

Cumulative actuarial gains and losses recognised in the statement of comprehensive income

	2013 £m	2012 £m
At beginning of the period	**(47.1)**	(2.1)
Net actuarial gains/(losses) recognised in the period	**3.5**	(45.0)
At end of the period	**(43.6)**	(47.1)

Actuarial gains of £0.1 million (2012: losses of £0.2 million) in respect of post-retirement medical benefits have been included in the statement of comprehensive income.

History of experience gains and losses

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Present value of scheme liabilities	**(432.9)**	(414.9)	(361.6)	(382.9)	(349.8)
Fair value of scheme assets	**427.8**	390.4	368.7	357.9	314.5
(Deficit)/surplus	**(5.1)**	(24.5)	7.1	(25.0)	(35.3)
Experience adjustments arising on scheme liabilities	**–**	5.3	–	–	13.1
Experience adjustments arising on scheme assets	**19.9**	4.9	(8.6)	26.4	22.2

The employer contributions expected to be paid during the financial period ending 4 October 2014 amount to £15.3 million.

26. SHARE-BASED PAYMENTS

During the period there were three classes of equity-settled employee share incentive plans outstanding:

(a) Save As You Earn (SAYE). Under this scheme employees enter into a savings contract for a period of three to seven years and options are granted on commencement of the contract, exercisable using the amount saved under the contract at the time it terminates. Options under the scheme are granted at a discount of 20% to the market price of the shares at the time of the invitation and are not subject to performance conditions. Exercise of options is subject to continued employment.

(b) Executive Share Option Plan (ESOP). Under this scheme executive share options are awarded at the prevailing market rate on the date of grant. Options are normally exercisable between three and ten years after grant and upon the achievement of performance criteria in relation to earnings per share.

(c) Long Term Incentive Plan (LTIP). Under this scheme nil cost options are granted that will only vest provided the participant satisfies the minimum shareholding requirement and performance conditions relating to earnings per share, as set out in the Directors' Remuneration Report on page 48, are met.

In 2010, HM Revenue & Customs (HMRC) approved an Approved Performance Share Plan (APSP) to enable participants in the LTIP to benefit from UK tax efficiencies. As such, awards made in 2010 and future years comprise an HMRC approved option (in respect of the first £30,000 worth of an award) and an unapproved LTIP award for amounts in excess of this HMRC limit. A further share award (a linked award) is also provided to enable participants to fund the exercise of the approved option. This linked award is satisfied by way of shares from the Company's Employee Benefit Trust but these additional shares are not delivered to the participant. Under these rules the LTIP options are still issued at nil cost to the employee.

26. SHARE-BASED PAYMENTS CONTINUED

The tables below summarise the outstanding share options.

SAYE:	Number of shares 2013 m	Number of shares 2012 m	Weighted average exercise price 2013 p	Weighted average exercise price 2012 p
Outstanding at beginning of the period	**6.2**	6.3	**83.8**	87.7
Granted	**0.9**	1.3	**122.8**	78.7
Exercised	**(1.4)**	(0.2)	**81.1**	93.0
Expired	**(0.6)**	(1.2)	**97.1**	97.6
Outstanding at end of the period	**5.1**	6.2	**90.2**	83.8
Exercisable at end of the period	**0.2**	0.2	**90.0**	135.6
Range of exercise prices	**76.1p to 265.5p**	76.1p to 265.5p		
Weighted average remaining contractual life (years)	**2.8**	3.0		

ESOP:	Number of shares 2013 m	Number of shares 2012 m	Weighted average exercise price 2013 p	Weighted average exercise price 2012 p
Outstanding at beginning of the period	**0.1**	0.1	**108.4**	108.4
Exercised	**(0.1)**	–	**108.4**	–
Outstanding at end of the period	**–**	0.1	**–**	108.4
Exercisable at end of the period	**–**	0.1	**–**	108.4
Range of exercise prices	**–**	108.4p		
Weighted average remaining contractual life (years)	**–**	0.3		

LTIP:	Number of shares 2013 m	Number of shares 2012 m	Weighted average exercise price 2013 p	Weighted average exercise price 2012 p
Outstanding at beginning of the period	**5.1**	3.6	**–**	–
Granted	**1.3**	2.3	**–**	–
Expired	**(2.2)**	(0.8)	**–**	–
Outstanding at end of the period	**4.2**	5.1	**–**	–
Exercisable at end of the period	**–**	–		
Exercise price	**–**	–		

LTIP options are exercisable no later than the tenth anniversary of the date of grant.

The fair values of the SAYE, ESOP and LTIP rights are calculated at the date of grant using the Black-Scholes option-pricing model. The significant inputs into the model for all schemes unless otherwise stated were:

	2013	2012
Dividend yield %	**4.8**	6.4
Expected volatility %	**20.6 to 42.4**	32.9 to 45.5
Risk free interest rate %	**0.7 to 1.2**	0.4 to 1.3
Expected life of rights		
SAYE	**3 to 5 years**	3 to 7 years
LTIP	**3 years**	3 years

The expected volatility is based on historical volatility over the expected life of the rights. The performance criteria of the ESOP and LTIP, as set out previously, are built into the pricing model.

The weighted average fair value of options granted during the period in relation to the SAYE was 16.5p (2012: 14.5p). The fair value of options granted during the period in relation to the LTIP was 127.1p (2012: 80.9p).

26. SHARE-BASED PAYMENTS CONTINUED

The weighted average share price for options exercised over the period was 154.1p (2012: 111.5p). The total charge for the period relating to employee share-based payment plans was £0.2 million (2012: £0.2 million), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £0.1 million (2012: £0.1 million).

27. EQUITY SHARE CAPITAL

	2013		2012	
Allotted, called up and fully paid	**Number m**	**Value £m**	Number m	Value £m
Ordinary shares of 7.375p each:				
At beginning of the period	**601.1**	**44.3**	600.9	44.3
Allotted under share option schemes	**1.5**	**0.1**	0.2	–
At end of the period	**602.6**	**44.4**	601.1	44.3

A total of 1.5 million (2012: 0.2 million) ordinary shares were issued during the period ended 5 October 2013 pursuant to the exercise of ESOP and SAYE share options. The aggregate consideration in respect of these exercises was £1.1 million (2012: £0.2 million).

At 5 October 2013 there were no (2012: 0.1 million) executive share options outstanding and 5.1 million (2012: 6.2 million) SAYE options outstanding at prices from 76.1p to 265.5p per share exercisable between 2013 and 2020. Details of the Group's LTIP are included in the Directors' Remuneration Report on pages 48 to 49.

28. OTHER COMPONENTS OF EQUITY

The capital redemption reserve of £6.8 million (2012: £6.8 million) arose on share buy-backs.

Own shares represent the carrying value of the investment in own shares held by the Group's ESOP and LTIP and in treasury shares as set out in the table below. ESOP and LTIP shares are held pursuant to the Company's executive share option schemes. The trustee of the ESOP is Banks's Brewery Insurance Limited, a wholly-owned subsidiary of Marston's PLC. The trustee of the LTIP is Computershare Trustees (C.I.) Limited.

	2013		2012	
	Number m	**Value £m**	Number m	Value £m
ESOP	**0.1**	**0.1**	0.1	0.1
LTIP	**1.7**	**4.1**	1.7	4.1
Treasury shares	**30.2**	**126.7**	30.2	126.7
	32.0	**130.9**	32.0	130.9

The market value of own shares held is £46.4 million (2012: £36.5 million). Shares held by the LTIP represent 0.3% (2012: 0.3%) of issued share capital. Treasury shares held represent 5.0% (2012: 5.0%) of issued share capital.

Dividends on own shares have been waived.

Capital management

The Group considers its capital to comprise total equity (as disclosed on the face of the Group balance sheet) and net debt (note 30). In managing its capital the primary objective is to ensure that the Group is able to continue to operate as a going concern and to maximise return to shareholders through a combination of capital growth and distributions. The Group seeks to maintain a ratio of debt to equity that both balances risks and returns at an acceptable level and retains sufficient funds to comply with lending covenants, achieve working capital targets and meet investment requirements. The Board reviews the Group's dividend policy and funding requirements at least once a year.

29. WORKING CAPITAL AND NON-CASH MOVEMENTS

	2013 £m	2012 £m
Income from other non-current assets	**(0.3)**	(0.4)
Decrease/(increase) in inventories	**0.7**	(3.4)
Increase in trade and other receivables	**(6.9)**	(1.9)
Increase in trade and other payables and other non-current liabilities	**12.7**	3.2
Movements in respect of property, plant and equipment, assets held for sale and intangible assets	**2.5**	212.4
Share-based payments	**0.2**	0.2
Working capital and non-cash movements	**8.9**	210.1

Further details of movements in respect of property, plant and equipment, assets held for sale and intangible assets are given in notes 4, 11, 12 and 15.

30. NET DEBT

Analysis of net debt	2013 £m	Cash flow £m	Non-cash movements and deferred issue costs £m	2012 £m
Cash and cash equivalents				
Cash at bank and in hand	**94.1**	33.3	–	60.8
	94.1	33.3	–	60.8
Debt due within one year				
Bank loans	**0.8**	–	–	0.8
Securitised debt	**(23.4)**	22.7	(24.0)	(22.1)
Finance leases	**(0.1)**	0.3	(0.4)	–
	(22.7)	23.0	(24.4)	(21.3)
Debt due after one year				
Bank loans	**(189.6)**	(16.0)	(0.7)	(172.9)
Securitised debt	**(964.2)**	–	23.4	(987.6)
Finance leases	**(20.8)**	–	(20.8)	–
Other lease related borrowings	**(87.7)**	(94.6)	6.9	–
Preference shares	**(0.1)**	–	–	(0.1)
	(1,262.4)	(110.6)	8.8	(1,160.6)
Net debt	**(1,191.0)**	(54.3)	(15.6)	(1,121.1)

Bank loans due within one year represent unamortised issue costs expected to be charged to the income statement within 12 months of the balance sheet date. Bank loans due after one year represent amounts drawn down under the Group's revolving credit facility, net of unamortised issue costs expected to be charged to the income statement after 12 months from the balance sheet date.

Other lease related borrowings represent amounts due under sale and leaseback arrangements that do not fall within the scope of IAS 17 'Leases'.

Net debt does not include other financial liabilities such as trade and other payables.

Included within cash at bank and in hand is an amount of £2.6 million (2012: £3.7 million) relating to a letter of credit with Royal Sun Alliance Insurance, an amount of £0.5 million (2012: £0.5 million) relating to a letter of credit with Aviva, and an amount of £8.5 million (2012: £8.5 million) relating to collateral held in the form of cash deposits. These amounts are considered to be restricted cash.

In addition, cash held in connection with the securitised business is governed by certain restrictions under the covenants associated with the securitisation (note 19).

30. NET DEBT CONTINUED

Reconciliation of net cash flow to movement in net debt	2013 £m	2012 £m
Increase in cash and cash equivalents in the period	33.3	7.8
Cash inflow from movement in debt	(87.6)	(27.6)
Change in debt resulting from cash flows	(54.3)	(19.8)
Non-cash movements and deferred issue costs	(15.6)	(0.5)
Movement in net debt in the period	(69.9)	(20.3)
Net debt at beginning of the period	(1,121.1)	(1,100.8)
Net debt at end of the period	**(1,191.0)**	(1,121.1)

Reconciliation of net debt before lease financing to net debt	2013 £m	2012 £m
Cash and cash equivalents	94.1	60.8
Bank loans	(188.8)	(172.1)
Securitised debt	(987.6)	(1,009.7)
Preference shares	(0.1)	(0.1)
Net debt before lease financing	(1,082.4)	(1,121.1)
Finance leases	(20.9)	–
Other lease related borrowings	(87.7)	–
Net debt	**(1,191.0)**	(1,121.1)

31. OPERATING LEASES

The Group as lessee

The Group leases various properties and equipment under non-cancellable operating leases. The leases have various terms, escalation clauses and renewal rights. Future minimum lease rentals payable under non-cancellable operating leases are as follows:

	2013		2012	
Due:	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	11.5	0.4	13.7	0.5
In more than one year but less than five years	43.4	0.3	51.4	0.5
In more than five years	156.1	–	229.4	–
	211.0	0.7	294.5	1.0

The Group as lessor

The Group leases a proportion of its licensed estate and other non-licensed properties to tenants. The majority of lease agreements have terms of between 3 and 21 years and are classified as operating leases. Future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2013		2012	
Due:	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	27.3	–	28.2	–
In more than one year but less than five years	79.5	–	82.8	–
In more than five years	132.1	–	177.0	–
	238.9	–	288.0	–

32. FINANCE LEASES

The Group leases various properties under finance leases. The leases have various terms, escalation clauses and renewal rights. Future minimum lease payments under finance leases are as follows:

Due:	2013 £m	2012 £m
Within one year	**1.2**	–
In more than one year but less than five years	**4.9**	–
In more than five years	**41.4**	–
	47.5	–
Future finance charges	**(26.6)**	–
Present value of finance lease obligations	**20.9**	–

The present value of finance lease obligations is as follows:

Due:	2013 £m	2012 £m
Within one year	**0.1**	–
In more than one year but less than five years	**0.5**	–
In more than five years	**20.3**	–
Present value of finance lease obligations	**20.9**	–

33. PRINCIPAL SUBSIDIARY UNDERTAKINGS

Details of the Group's principal subsidiary undertakings are provided in note 4 to the Company financial statements.

34. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

On 9 August 2005 the Group entered into a Tax Deed of Covenant, which was amended on 22 November 2007, the primary objective of which was to ensure that the Group did not trigger a de-grouping liability comprising Capital Gains Tax (CGT) and Stamp Duty Land Tax (SDLT). This would arise in the event of Marston's Pubs Limited being sold outside the Group, within six years of the relevant asset transfer date for CGT purposes, and within three years of the relevant asset transfer date for SDLT purposes. Due to the passage of time and changes in the statutory rate of corporation tax, the total potential de-grouping liability now stands at £8.4 million (2012: £49.0 million), of which £7.8 million (2012: £46.6 million) relates to CGT and £0.6 million (2012: £2.4 million) relates to SDLT.

The Group has issued a letter of credit in favour of Royal Sun Alliance Insurance totalling £2.6 million (2012: £3.7 million) and a letter of credit in favour of Aviva totalling £0.5 million (2012: £0.5 million) to secure reinsurance contracts. The letters of credit are secured on fixed deposits for the same amount.

The Group has also entered into a Deed of Guarantee with the trustees of the Marston's PLC Pension and Life Assurance Scheme ('the Scheme') whereby it guarantees to the Trustees the ongoing obligations of the Group to contribute to the Scheme, and the obligations of the Group to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either a Group company entering liquidation or the Scheme winding up.

35. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the balance sheet date the Group extended its existing bank facility out to November 2018.

In November 2013 the Group entered into a sale and leaseback transaction in respect of 202 of its pubs for consideration of £90.0 million.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARSTON'S PLC

REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Our opinion

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 5 October 2013 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say below.

What we have audited

The Parent Company financial statements, which are prepared by Marston's PLC, comprise:

- the Parent Company Balance Sheet as at 5 October 2013; and
- the notes to the Parent Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Parent Company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINIONS ON MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.
- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Parent Company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 54, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other matter

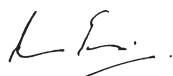
We have reported separately on the Group financial statements of Marston's PLC for the period ended 5 October 2013.

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
28 November 2013

COMPANY BALANCE SHEET
As at 5 October 2013

	Note	5 October 2013 £m	29 September 2012 £m
Fixed assets			
Tangible assets	3	**314.5**	185.1
Investments	4	**260.9**	260.9
		575.4	446.0
Current assets			
Assets held for sale	5	**5.7**	10.1
Debtors			
Amounts falling due within one year	6	**787.5**	825.0
Amounts falling due after more than one year	6	**629.1**	566.1
Cash at bank and in hand		**28.3**	29.1
		1,450.6	1,430.3
Creditors Amounts falling due within one year	7	**(971.5)**	(976.1)
Net current assets		**479.1**	454.2
Total assets less current liabilities		**1,054.5**	900.2
Creditors Amounts falling due after more than one year	7	**(126.7)**	(0.1)
Provisions for liabilities and charges	8	**(8.4)**	(9.9)
Net assets		**919.4**	890.2
Capital and reserves			
Equity share capital	11	**44.4**	44.3
Share premium account	12	**333.8**	332.8
Revaluation reserve	12	**52.8**	52.6
Capital redemption reserve	12	**6.8**	6.8
Own shares	12	**(130.9)**	(130.9)
Profit and loss account	12	**612.5**	584.6
Total shareholders' funds	13	**919.4**	890.2

The financial statements on pages 98 to 105 were approved by the Board on 28 November 2013 and signed on its behalf by:



Ralph Findlay
Chief Executive Officer
28 November 2013

1. ACCOUNTING POLICIES

Basis of preparation

The Company financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain freehold and leasehold properties and derivative financial instruments, and in accordance with the Companies Act 2006 and applicable UK accounting standards.

As permitted by section 408(3) of the Companies Act 2006, no profit and loss account has been presented for the Company. As permitted by section 408(2) of the Companies Act 2006, information about the Company's employee numbers and costs has not been presented.

Related party disclosures

The Company is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Group.

Revenue and other operating income

Revenue represents rents receivable from licensed properties, which is recognised in the period to which it relates. Other operating income comprises mainly rents from unlicensed properties.

Current and deferred tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date and is measured at the amount expected to be paid to or recovered from the tax authorities.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date that give rise to an obligation to pay more or less tax in the future. Timing differences are differences between the Company's taxable profits and profits as stated in the financial statements. Deferred tax assets and liabilities are not discounted and assets are only recognised where recoverability is probable.

Fixed assets

- Freehold and leasehold properties are stated at valuation or at cost. Fixtures, fittings, plant and equipment are stated at cost.
- Depreciation is charged to the profit and loss account on a straight-line basis to provide for the cost of the assets less residual value over their useful lives.
- Freehold and long leasehold buildings are depreciated to residual value over 50 years.
- Short leasehold properties are depreciated over the life of the lease.
- Fixtures, fittings, plant and equipment are depreciated over periods ranging from 3 to 15 years.
- Own labour and interest costs directly attributable to capital projects are capitalised.
- Land is not depreciated.

Properties are revalued by qualified valuers at least once in each rolling five year period, on an existing use basis. Substantially all of the Company's properties have been externally valued in accordance with the Royal Institution of Chartered Surveyors' Red Book. These valuations are performed directly by reference to observable prices in an active market or recent market transactions on arm's length terms. Internal valuations are performed on the same basis.

When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the profit and loss account. Surpluses on revaluation are recognised in the revaluation reserve, except to the extent they reverse previously charged impairment losses, in which case the reversal is recorded in the profit and loss account.

Assets held for sale

Assets, typically properties, are categorised as held for sale when the value of the asset will be recovered through a sale transaction rather than continuing use. This condition is met when the sale is highly probable, the asset is available for immediate sale in its present condition and is being actively marketed. In addition, the Company must be committed to the sale and completion should be expected to occur within one year from the date of classification. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell, and are no longer depreciated.

Disposals of fixed assets

Profit/loss on disposal of fixed assets represents net sale proceeds less carrying value of the assets. Any element of the revaluation reserve relating to the fixed assets disposed of is transferred to the profit and loss reserve at the date of sale.

Leases

Rental costs under operating leases are charged to the profit and loss account over the term of the lease. The cost of assets held under finance leases is included within tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under those leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account as incurred.

1. ACCOUNTING POLICIES CONTINUED

Lease premiums received are recognised on a straight-line basis over the life of the lease.

Obligations arising from sale and leaseback arrangements with repurchase options that do not fall within the scope of SSAP 21 'Accounting for leases and hire purchase contracts' are classified as other lease related borrowings and accounted for in accordance with FRS 26 'Financial Instruments: Recognition and Measurement'.

Investments in subsidiaries

Investments in subsidiaries are stated at cost, less any provision for diminution in value.

Provisions

Provisions are recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Dividends

Dividends proposed by the Board but unpaid at the period end are recognised in the financial statements when they have been approved by the shareholders. Interim dividends are recognised when paid.

Preference shares

Preference shares are treated as borrowings, and dividends payable on those preference shares are charged as interest in the profit and loss account.

Group undertakings

There is an intra group funding agreement in place between the Company and certain other members of the Marston's Group. This agreement stipulates that all balances outstanding on any intercompany loan account between these companies which exceed £1 are interest bearing at a prescribed rate.

In the current period it was agreed that no interest would be charged on any balances due to/from certain Group companies during the period of their restructuring.

There is a 12.5% subordinated loan due to the Company from Marston's Pubs Limited. No interest is payable on any other amounts owed by/to Group companies who are not party to the intra group funding agreement.

All amounts owed by/to Group undertakings are unsecured and, with the exception of the subordinated loan, repayable on demand.

Derivative financial instruments

The Company uses derivative financial instruments to hedge the Group's exposure to fluctuations in interest rates. Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently remeasured to their fair value at each balance sheet date. The Company has not designated any derivative financial instruments as hedging instruments and as such any gains or losses on remeasurement are recognised in the profit and loss account immediately.

2. AUDITORS' REMUNERATION

Fees payable to the Company's Auditors for the audit of the Company's annual accounts are disclosed in note 3 to the Group financial statements. Fees paid to the Company's Auditors for non-audit services to the Company itself are not required to be disclosed as the Group financial statements disclose such fees on a consolidated basis.

3. TANGIBLE FIXED ASSETS

	Land and buildings £m	Fixtures, fittings, plant and equipment £m	Total £m
Cost or valuation			
At 30 September 2012	176.5	15.5	192.0
Additions	37.7	8.0	45.7
Net transfers to assets held for sale and disposals	(0.7)	(1.3)	(2.0)
Revaluation	2.2	–	2.2
Net transfers from Group undertakings	84.5	–	84.5
At 5 October 2013	**300.2**	**22.2**	**322.4**
Depreciation			
At 30 September 2012	0.3	6.6	6.9
Charge for the period	1.2	1.5	2.7
Net transfers to assets held for sale and disposals	–	(1.3)	(1.3)
Revaluation	(0.4)	–	(0.4)
At 5 October 2013	**1.1**	**6.8**	**7.9**
Net book value at 29 September 2012	176.2	8.9	185.1
Net book value at 5 October 2013	**299.1**	**15.4**	**314.5**

The net book value of land and buildings is split as follows:

	2013 £m	2012 £m
Freehold properties	**207.3**	120.3
Leasehold properties over 50 years unexpired	**78.1**	44.9
Leasehold properties under 50 years unexpired	**13.7**	11.0
	299.1	176.2

Cost or valuation of land and buildings comprises:

	2013 £m	2012 £m
Valuation	**264.1**	175.5
At cost	**36.1**	1.0
	300.2	176.5

If the land and buildings had not been revalued, the historical cost net book value would be £246.5 million (2012: £123.8 million).

Cost at 5 October 2013 includes £6.3 million (2012: £1.0 million) of assets in the course of construction.

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £0.5 million (2012: £1.0 million).

The net book value of land and buildings held under finance leases at 5 October 2013 was £21.4 million (2012: £nil). The net book value of land and buildings held as part of sale and leaseback arrangements that do not fall within the scope of SSAP 21 'Accounting for leases and hire purchase contracts' was £112.0 million (2012: £nil).

Revaluation/impairment

During the current period various properties were reviewed for impairment and/or material changes in value. These valuation adjustments were recognised in the revaluation reserve or the income statement as appropriate.

At 1 July 2012 independent chartered surveyors revalued the Company's freehold and leasehold properties on an open market value basis. These valuations were incorporated into the financial statements and the resulting revaluation adjustments were taken to the revaluation reserve or profit and loss account as appropriate.

3. TANGIBLE FIXED ASSETS CONTINUED

The impact of the revaluations/impairments described above is as follows:

	2013 £m	2012 £m
Profit and loss account:		
Revaluation loss charged as an impairment	–	(25.2)
Reversal of past impairments	**1.6**	0.6
	1.6	(24.6)
Revaluation reserve:		
Unrealised revaluation surplus	**1.0**	27.7
Reversal of past revaluation surplus	–	(4.6)
	1.0	23.1
Net increase/(decrease) in shareholders' funds/fixed assets	**2.6**	(1.5)

4. FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m
Cost	
At 30 September 2012 and 5 October 2013	**312.0**
Impairments	
At 30 September 2012 and 5 October 2013	**51.1**
Net book value at 29 September 2012	260.9
Net book value at 5 October 2013	**260.9**

The principal subsidiary undertakings are:

	Country of incorporation	Nature of business	% held	Class of share
Marston's Trading Limited	England	Pub retailer and brewer	100	Ordinary £5 shares
Marston's Property Developments Limited	England	Property developer	100	Ordinary £1 shares
Marston's Pubs Limited	England	Pub retailer	100	Ordinary £1 shares
Marston's Estates Limited	England	Property management	100	Ordinary 25p shares
Marston's Operating Limited	England	Pub retailer and brewer	100	Ordinary £1 shares
Banks's Brewery Insurance Limited	Guernsey	Insurance	100	Ordinary £1 shares

Details of the principal operating subsidiaries by type of business are set out above. All of these are held directly by Marston's PLC with the exception of Marston's Operating Limited, which is a wholly-owned subsidiary of Marston's Estates Limited, and Marston's Pubs Limited, which is a wholly-owned subsidiary of Marston's Pubs Parent Limited, an intermediate holding company. A complete list of subsidiary undertakings is available at the Group's registered office and will be filed with the next Annual Return. All subsidiaries have been included in the consolidated financial statements.

The Group financial statements also include the consolidation of Marston's Issuer PLC, which the Directors consider to be a special purpose entity. The ultimate parent undertaking of Marston's Issuer PLC is Wilmington Trust SP Services (London) Limited, which holds the shares of the company's parent company under a charitable trust. Marston's Issuer PLC was set up with the sole purpose of issuing debt secured on the assets of Marston's Pubs Limited.

5. ASSETS HELD FOR SALE

	2013 £m	2012 £m
Properties	**5.7**	10.1

6. DEBTORS

Amounts falling due within one year	2013 £m	2012 £m
Amounts owed by Group undertakings	**733.7**	761.4
Interest owed by Group undertakings	**30.2**	22.9
Derivative financial instruments	**22.6**	38.2
Prepayments and accrued income	**0.1**	2.3
Other debtors	**0.9**	0.2
	787.5	825.0

Amounts falling due after more than one year	2013 £m	2012 £m
12.5% subordinated loan owed by Group undertakings	**629.1**	566.1

7. CREDITORS

Amounts falling due within one year	2013 £m	2012 £m
Amounts owed to Group undertakings	**876.2**	884.2
Interest owed to Group undertakings	**43.7**	33.5
Finance leases	**0.1**	–
Corporation tax	**17.0**	6.1
Accruals and deferred income	**1.6**	3.1
Derivative financial instruments	**22.6**	38.2
Other creditors	**10.3**	11.0
	971.5	976.1

Other creditors represent amounts payable in respect of a supplier credit arrangement.

Amounts falling due after more than one year	2013 £m	2012 £m
Finance leases	**20.8**	–
Other lease related borrowings	**87.7**	–
Preference shares	**0.1**	0.1
Accruals and deferred income	**18.1**	–
	126.7	0.1

The preference shares carry a right to a fixed preferential dividend. They participate in the event of a winding-up and carry the right to attend and vote at general meetings of the Company.

Liabilities disclosed under creditors falling due after more than one year which are due for repayment after more than five years from the balance sheet date total £108.3 million (2012: £0.1 million).

8. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £m	Property leases £m	Total £m
At 30 September 2012	6.0	3.9	9.9
Released in the period	–	(0.6)	(0.6)
Provided in the period	–	0.3	0.3
Unwinding of discount	–	0.1	0.1
Utilised in the period	–	(1.0)	(1.0)
Credited to the profit and loss account	(0.3)	–	(0.3)
At 5 October 2013	**5.7**	**2.7**	**8.4**

When valuations of leasehold properties (based on future estimated discounted income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as liabilities in provisions. Payments are expected to continue on these properties for periods of 1 to 31 years (2012: 1 to 32 years).

Deferred tax

The amount provided in respect of deferred tax is as follows:

	2013 £m	2012 £m
Excess of capital allowances over accumulated depreciation	**5.7**	6.0

Deferred tax has been calculated at the tax rates expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

9. OPERATING LEASE COMMITMENTS

At 5 October 2013 the Company had annual commitments under non-cancellable operating leases as follows:

	2013		2012	
Leases which expire:	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	**0.1**	**–**	–	–
Later than one year and less than five years	**0.5**	**–**	0.5	–
After five years	**4.2**	**–**	5.9	–
	4.8	**–**	6.4	–

10. FINANCE LEASE OBLIGATIONS

Obligations under finance leases are as follows:

Due:	2013 £m	2012 £m
Within one year	**1.2**	–
Later than one year and less than five years	**4.9**	–
After five years	**41.4**	–
	47.5	–
Future finance charges	**(26.6)**	–
Present value of finance lease obligations	**20.9**	–

11. SHARE CAPITAL

	2013		2012	
Allotted, called up and fully paid	Number m	Value £m	Number m	Value £m
Ordinary shares of 7.375p each:				
At beginning of the period	**601.1**	**44.3**	600.9	44.3
Allotted under share option schemes	**1.5**	**0.1**	0.2	–
At end of the period	**602.6**	**44.4**	601.1	44.3

Further information on share capital is provided in note 27 to the Group financial statements.

12. RESERVES

	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Own shares £m	Profit and loss account £m	Total £m
At 30 September 2012	332.8	52.6	6.8	(130.9)	584.6	845.9
Issue of shares	1.0	–	–	–	–	1.0
Property revaluation	–	1.0	–	–	–	1.0
Disposal of properties	–	(0.4)	–	–	0.4	–
Transfer to profit and loss account	–	(0.4)	–	–	0.4	–
Profit for the financial period	–	–	–	–	62.4	62.4
Dividends paid	–	–	–	–	(35.3)	(35.3)
At 5 October 2013	**333.8**	**52.8**	**6.8**	**(130.9)**	**612.5**	**875.0**

The capital redemption reserve arose on share buy-backs.

Details of own shares are provided in note 28 to the Group financial statements.

13. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013 £m	2012 £m
Profit for the financial period	**62.4**	15.1
Dividends paid	**(35.3)**	(33.5)
Issue of shares	**1.1**	0.2
Revaluation of properties	**1.0**	23.1
Net addition to shareholders' funds	**29.2**	4.9
Opening shareholders' funds	**890.2**	885.3
Closing shareholders' funds	**919.4**	890.2

14. CONTINGENT LIABILITIES

The Company has entered into a Deed of Guarantee with Marston's Trading Limited ('Trading') and the Trustees of the Marston's PLC Pension and Life Assurance Scheme ('the Scheme') whereby it guarantees to the Trustees the ongoing obligations of Trading to contribute to the Scheme and the obligations of Trading to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either Trading entering liquidation or the Scheme winding up.

On 14 December 2011 the Company, together with a number of its subsidiary undertakings, entered into a Deed of Guarantee with Barclays Bank PLC whereby it guarantees the obligations of Marston's Trading Limited to Barclays Bank PLC. The maximum aggregate liability of the Guarantors under the deed as at 5 October 2013 was £15.0 million (2012: £20.0 million).

15. POST BALANCE SHEET EVENTS

In November 2013 the Company entered into a sale and leaseback transaction in respect of 202 pubs held by other Group companies for consideration of £90.0 million. These pubs will be transferred to the Company prior to the completion of the sale and leaseback.

INFORMATION FOR SHAREHOLDERS

Annual General Meeting
The Company's AGM will be held on 21 January 2014 at 12 noon at Wolverhampton Racecourse, Holiday Inn Garden Court, Dunstall Park, Wolverhampton, WV6 0PE.

Financial calendar

Ex-dividend date for final dividend	18 December 2013
Record date for final dividend	20 December 2013
AGM and Interim Management Statement	21 January 2014
Final dividend payment date	3 February 2014
Half-year results	May 2014
Ex-dividend date for interim dividend	May 2014
Interim dividend payment date	July 2014

These dates are indicative only and may be subject to change.

The Marston's PLC website
Shareholders are encouraged to visit our website www.marstons.co.uk for further information about the Company. The dedicated Investors section on the website contains information specifically for shareholders including share price information, historical dividend amounts and payment dates together with this year's (and prior years') Annual Report and Accounts.

Registrars
The Company's shareholder register is maintained by our Registrar Equiniti. If you have any queries relating to your Marston's PLC shareholding you should contact Equiniti directly by one of the methods below:

Online: www.shareview.co.uk – from here you will be able to securely email Equiniti with your query.
Telephone: 0871 384 2274*
Text phone: 0871 384 2255*
By post: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

Dividend payments
By completing a bank mandate form dividends can be paid directly into your bank or building society account. Those selecting this payment method will benefit from receiving cleared funds in their bank account on the payment date, avoiding postal delays and removing the risk of any cheques being lost in the post. To change how you receive your dividends contact Equiniti or visit www.shareview.co.uk

Duplicate documents
If you have received two or more sets of the documents concerning the AGM this means that there is more than one account in your name on the shareholder register, perhaps because either your name or your address appear on each account in a slightly different way. If you think this might be the case and would like to combine your accounts, please contact Equiniti.

Moving house?
It is important that you notify Equiniti of your new address as soon as possible. If you hold 1,500 shares or fewer, and reside in the UK, this can be done quickly over the telephone. However, for holdings greater than 1,500 shares your instruction will need to be in writing, quoting your full name, shareholder reference number (if known), previous address and new address.

Electronic communications
Changes in legislation in recent years allow the Company to use its corporate website as the main way to communicate with shareholders. Annual Report and Accounts are only sent to those shareholders who have opted to receive a paper copy. Registering to receive shareholder documentation from the Company electronically will allow shareholders to:

- view the Annual Report and Accounts on the day it is published;
- receive an email alert when the Annual Report and Accounts and any other shareholder documents are available;
- cast their AGM votes electronically; and
- manage their shareholding quickly and securely online, through www.shareview.co.uk

This reduces our impact on the environment, minimises waste and reduces printing and mailing costs. For further information and to register for electronic shareholder communications visit www.shareview.co.uk

Buying and selling shares in the UK

If you wish to buy or sell Marston's PLC shares and hold a share certificate, you can:

- use the services of a stockbroker or high street bank; or
- use a telephone or online service.

If you sell your shares in this way you will need to present your share certificate at the time of sale. Details of low cost dealing services may be obtained from www.shareview.co.uk or 0845 603 7037**.

Share fraud warning

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating 'boiler rooms' that are mostly based abroad. While high profits are promised, those who buy or sell shares in this way usually lose their money. The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200 million lost in the UK each year.

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- Get the name of the person and organisation contacting you.
- Check the Financial Services Register at www.fca.org.uk/register to ensure they are authorised.
- Use the details on the FCA Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Search the FCA list of unauthorised firms and individuals to avoid doing business with.
- Remember, if it sounds too good to be true, it probably is.

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme if things go wrong.

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at www.fca.org.uk, where you will find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

* Calls cost 8 pence per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday.

** Lines are open Monday to Friday, 8:00am to 4.30pm for dealing and until 6:00pm for enquiries.

Company details

Registered office: Marston's House, Brewery Road, Wolverhampton, WV1 4JT
Telephone: 01902 711811
Company registration number: 31461

PICTURE REFERENCE

Front cover:	The Two Rivers, Chepstow
Inside cover:	The Angel & Blue Pig, Lymington
Page 2:	Merrie Garden, Sandown, Isle of Wight
Page 8:	Horse & Jockey, Walsall Wood
Page 10:	The Pine Marten, Dunbar Merrie Garden, Isle of Wight
Page 13:	The Abbey Mead, Swindon, Wiltshire Jacob's Inn, Wolvercote, Oxford
Back cover:	The George & Dragon, Arundel, West Sussex

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Marston's PLC

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