MAKING MARSTON'S

THE PLACE TO BE

MARSTON'S PLC
ANNUAL REPORT AND ACCOUNTS 2015

MAKING MARSTON'S **THE PLACE TO BE**

MARSTON'S PLC IS ONE OF THE UK'S TOP NATIONAL PUB BUSINESSES, OPERATING **1,600 PUBS AND BARS** AND **797 ROOMS**. WE ARE ALSO THE LEADING BREWER OF **PREMIUM CASK AND BOTTLED BEERS**.

WE'RE RIGHTLY PROUD OF OUR **180-YEAR HERITAGE** BUT IT IS THE PASSION OF OUR **13,500 PEOPLE**, OUR **HIGH QUALITY PUBS AND PREMIUM BEERS** AND OUR **INNOVATIVE SPIRIT** THAT WILL FUEL OUR FUTURE GROWTH.

WE WORK IN A FIERCELY COMPETITIVE AND CHALLENGING MARKETPLACE AND WE MUST ENSURE THAT OUR OFFER MEETS THE CHANGING NEEDS OF OUR CUSTOMERS, MAKING OUR PUBS AND BARS **'THE PLACE TO BE'.** TO ACHIEVE THIS, **EXCELLENT CONSISTENT CUSTOMER SERVICE IS PARAMOUNT**.

EQUALLY, WE REMAIN **FOCUSED ON INCREASING RETURNS** THROUGH OUR VERTICALLY-INTEGRATED AND FLEXIBLE BUSINESS MODEL, AND DEVELOPING OUR PUB AND BAR ESTATE SUSTAINABLY.

1,600
PUBS

25
NEW BEERS

797
ROOMS

13,500
EMPLOYEES

IN THIS REPORT

A SNAPSHOT OF 2015
(52 WEEKS ENDED 3 OCTOBER 2015)

- STRONG TRADING PERFORMANCE, UNDERLYING GROUP REVENUE UP 7%
- TRANSFORMATION OF PUB ESTATE WELL ADVANCED, AVERAGE PROFIT PER PUB UP TO £100K
- MARKET-LEADING BEER BUSINESS CONTINUES TO GROW STRONGLY
- UNDERLYING EARNINGS PER SHARE UP 10% TO 12.9 PENCE
- FINAL DIVIDEND, UP 4.7% TO 4.5 PENCE, REFLECTING PROGRESS AND CONFIDENCE IN STRATEGY
- WELL POSITIONED FOR GROWTH IN 2016

UNDERLYING* REVENUE
£845.5M

UNDERLYING* OPERATING PROFIT
£165.4M

UNDERLYING* PROFIT BEFORE TAX
£91.5M

TOTAL DIVIDEND PER SHARE
7.0P

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

THE PLACE TO BE FOR INVESTORS

This year we have incorporated material on our people and community involvement into our main narrative report. Additional Corporate Responsibility information can be found on our website.

For full year-end press release, preliminary results presentation, webcast and video of summary of the year, visit:

www.marstons.co.uk/corporate

STRATEGIC REPORT

GOVERNANCE

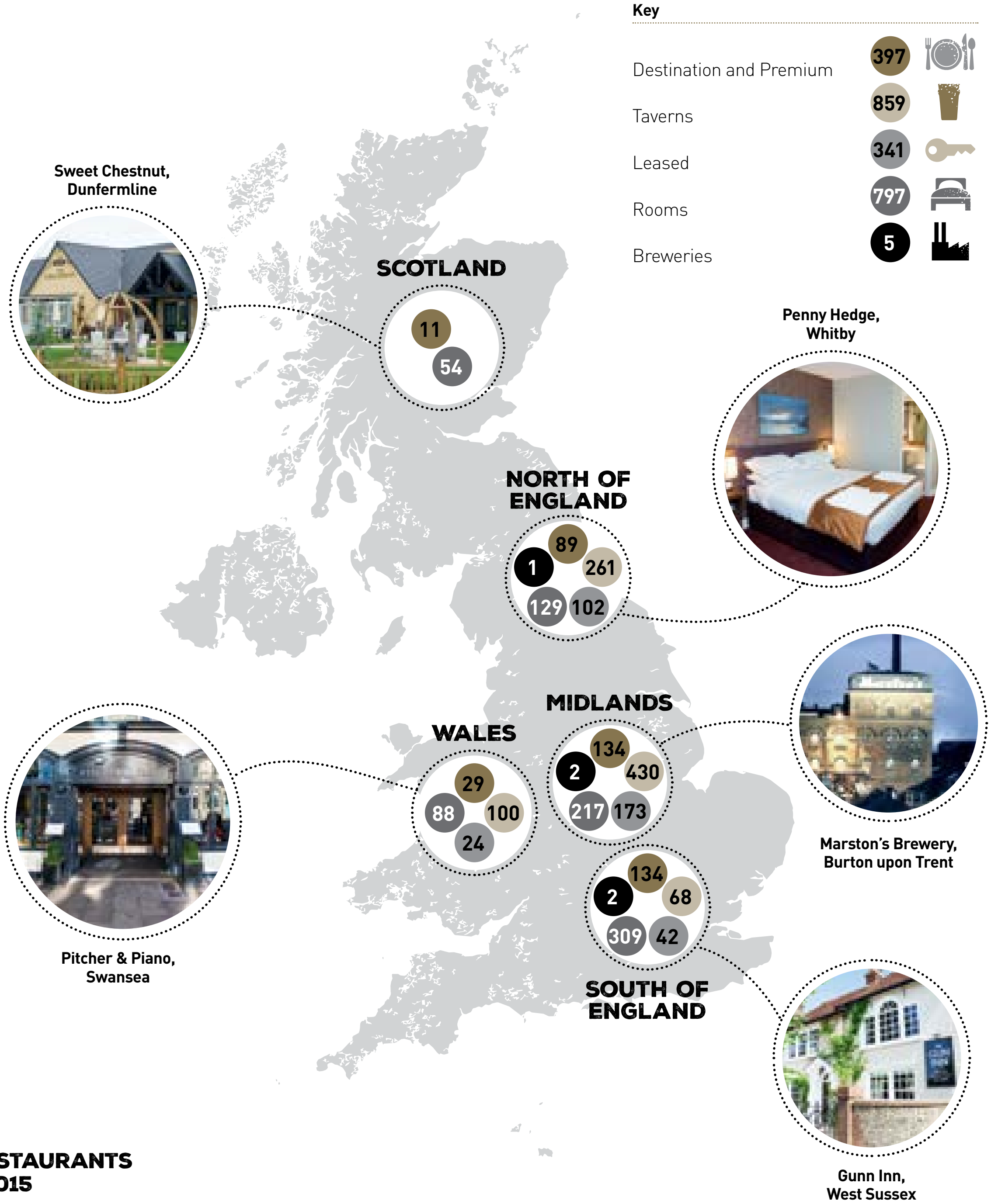
FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

THE PLACE TO BE
ACROSS THE NATION

NATIONAL COVERAGE WITH A GROWING, QUALITY ESTATE

We operate across the UK and are focused on developing a high quality estate. We have around 1,600 pubs and bars and are on track to further improve the quality of our estate through planned new-builds and disposals.



25

NEW PUB-RESTAURANTS OPENED IN 2015

THE PLACE TO BE
FOR DRINKING, EATING AND STAYING

KNOWING WHAT OUR CUSTOMERS WANT – AND ACTING ON IT

Our innovative spirit and keen knowledge of customer trends allows us to pioneer new ideas, products and formats to ensure that we stand out in an increasingly competitive market.

PREMIUM BOTTLED ALE (PBA) REPORT

Our annual PBA Report published in April 2015 revealed that six bottles of Premium Bottled Ale are consumed every second in the UK: one in five is a Marston's brand.

PUB OF THE FUTURE (POTF)

The POTF Board has been working on its recommendations for a pub that will attract the next generation of pub-goers. We will be making some of their ideas a reality.

NEW-BUILDS DRIVING GROWTH

We have further extended our trading geography to southern England and Scotland with new pub-restaurants.

FOOD INNOVATIONS/ DEVELOPMENT

We have been developing our food to suit more informal occasions and flexible mealtimes. From better burgers and pizzas to 'Brinner' and mini-dish combinations.

75 ROOMS ADDED IN 2015

Three new lodges opened during the period and five more are planned for 2015/16. Look out for our new Marston's Inns website.

COMMUNITY PUB INNOVATION

To celebrate our cask ale heritage our Masters of Cask platform aims to widen the appeal of cask ale across our pubs to a younger audience.

BEER INNOVATION AND COLLABORATION

Our collaboration with Help for Heroes, an ale created by three injured veterans in partnership with Marston's, has helped raise in excess of £100,000.

DRINKS RANGE

As well as our own-brewed ales, our wines, spirits, cocktails and non-alcoholic drinks are evolving to meet consumer trends. This includes bottomless soft drinks in Generous George.

CHAIRMAN'S STATEMENT

THE TRANSFORMATION OF OUR PUB PORTFOLIO IS LARGELY COMPLETE AND HAS CREATED SIGNIFICANT SHAREHOLDER VALUE. SINCE 2009 WE HAVE OPENED 134 NEW PUB-RESTAURANTS.

OVERVIEW

Our results demonstrate that we made good progress in 2015, with turnover up 7.4% to £845.5 million, and underlying profit before taxation up 10.2% to £91.5 million. In this report we highlight improved leverage, return on capital and growth, demonstrating the effectiveness of our strategy.

Our strategy to grow through investment in new-build pub-restaurants and sell smaller wet-led pubs has been consistent over several years, and has contributed to the transformation of the business into a national pub operator. It has also contributed to a significant improvement in the quality of our pub estate as reflected in the 40% increase in average profit per pub since 2012 and, as a consequence, created significant shareholder value.

This year, we allocated more capital to Premium pubs and lodges, exploiting skills and assets already present in the Marston's business and I anticipate that will continue in 2016. Investment for the future will remain a key component of our plans.

In Brewing, our strategy remains consistent with increased consumer demand for choice, quality and provenance in beer. The acquisition of Thwaites' beer business in April 2015 further strengthened our market-leading ale brand portfolio in a growing segment of the market.

Operational effectiveness is critical; we continue to work hard to ensure that our pubs are attractive in a very competitive leisure market and to build on our excellent portfolio of beers. We have performed ahead of our peers in pubs and in brewing, so there is clear evidence that our operational focus is working.

BOARD

The appointments of Carolyn Bradley and Catherine Glickman as Non-executive Directors this year added marketing and people skills to the Board. This contributed to the development of our strategic plans, the level of challenge and balance of the Board. We have a good blend of skills and experience on the Board and expect all Directors to contribute effectively to governance matters and our business development.

DIVIDEND

We have a progressive dividend policy linked to earnings, while targeting dividend cover of two times over the medium term. The proposed final dividend of 4.5 pence per share provides a total dividend for the year of 7.0 pence per share, and represents a 4.5% increase on 2014. The proposed 4.5% increase is supported by strong earnings growth and improved dividend cover. Dividend cover was 1.8 times (2014: 1.7 times).

PEOPLE

These results reflect the hard work of all who have worked for Marston's this year and their contributions are appreciated. We now have around 13,500 employees across the Group; I am confident that our plans to make Marston's 'The Place to Be' and put people at the heart of all we do will reflect their value to our business and will offer good opportunities for further development and training.

OUTLOOK

The effective implementation of our clear, differentiated strategy together with good governance and ensuring that shareholder interests are paramount are the main areas of focus for the Board. I am confident that this will lead to the continued creation of shareholder value and that our strategy is appropriate for current market conditions.

Roger Devlin
Chairman

CHIEF EXECUTIVE'S STATEMENT

EARNINGS GROWTH ACROSS ALL OF OUR BUSINESS SEGMENTS WITH A HIGH QUALITY PORTFOLIO OF PUB ASSETS AND A MARKET-LEADING BEER BUSINESS.

PERFORMANCE OVERVIEW

We have achieved earnings growth across all of our business segments, with double digit growth in underlying earnings, demonstrating further good progress in implementing our strategy. The three-year transformation of our pub portfolio is now largely complete and we enter 2016 with a high quality portfolio of pub assets which are fit for the future.

STRATEGY OVERVIEW

Our strategy has been consistent over a number of years and is focused on the ongoing improvement in the quality of our pub estate through the continuation of our new-build programme and the disposal of lower-end pubs which no longer have a sustainable future. We operate a pub estate that caters for a broad range of customers, with flexible operating models.

In Brewing, our focus remains on growing our portfolio of premium and regional beers, as this is the growth segment of the market and we believe in the importance of local provenance backed up by significant distribution capabilities.

People come first at Marston's: we want Marston's to be 'The Place to Be' for our customers and for all our employees.

Read more about our strategy in action on pages 10 to 19.

KEY EVENTS

During the period we opened 25 pub-restaurants and we completed the acquisition of Thwaites' beer division, including the Wainwright and Lancaster Bomber brands, for a total cash consideration of £25.2 million before working capital.

FINANCIAL OVERVIEW

Total underlying revenue increased by 7.4% from 2014 reflecting like-for-like growth in our pubs, the impact of new openings, growth in our beer brands and the acquisition of Thwaites' beer business.

Underlying profit before tax was up 10.2% to £91.5 million (2014: £83.0 million) principally reflecting the contribution from new pub-restaurants and a strong performance from Brewing. Basic underlying earnings per share for the period increased by 10.3% to 12.9 pence per share (2014: 11.7 pence per share).

Net debt at the period end was £1,245 million. Excluding property leases net debt amounted to £1,043 million of long-term, structured finance with a stable repayment profile and no exposure to increases in interest rates.

Read more in the Performance and Financial Review on pages 24 to 26.

CURRENT TRADING AND OUTLOOK

The year has started well, with both pub trading and beer volumes in line with expectations. At this early stage in the year we remain confident of achieving our targets for the full financial year and are on track to complete the new-build and lodge expansion plans which, together with the disposal of the remainder of our identified disposal assets, we expect to further increase our return on capital employed and to improve the quality of our business.

In April 2016, the National Living Wage will increase to £7.20 per hour for employees over 25. Approximately 60% of our people are under the age of 25 and we have previously indicated that the financial impact, compared to our existing plans, will be moderate. Our focus will centre on improving the quality of service to mitigate further the impact of the cost increase.

Ralph Findlay
Chief Executive Officer

MARKET OVERVIEW

WE OPERATE IN THREE DISTINCT AND ATTRACTIVE CONSUMER MARKETS. OUR MARKET INSIGHT GUIDES OUR INVESTMENT DECISIONS AND CAPITAL ALLOCATION.

EAT

OUR PUBS OFFER A VARIETY OF EATING-OUT OPTIONS AND EXPERIENCES FROM SNACKING AND GRAZING TO SUNDAY ROASTS.

TRENDS

- The growing eating-out market is driven by increased frequency, particularly amongst the younger age groups
- Top three factors when choosing where to eat: food quality, value and location
- Traditional meal patterns have given way to more informal eating and service, at different times of the day
- Customers want more than just a meal: a wow factor to create an experience worth sharing

OPPORTUNITIES

- Customers want healthy options and treats to choose from
- Flexible menus that offer customisation of meals
- Being famous for the food we sell differentiates Marston's in a crowded market

DRINK

OUR PUBS AND BREWERIES OFFER SOMETHING FOR ALL TYPES OF DRINKERS, SUITING DIFFERENT OCCASIONS.

TRENDS

- Customers are seeking out premium products that deliver better quality and something special
- Cask ale is in growth
- Customers like provenance, authenticity and localness
- A growing demand for an increased choice of premium drinks including soft drinks

OPPORTUNITIES

- We have diversified our premium range beyond ales into lagers, wines and spirits
- We have over 5,000 free trade customers for whom we can offer a one-stop drinks solution
- As the largest cask brewer in the world we have the insight and innovation capability to lead growth, as well as the provenance and localness appeal
- Cocktails, mocktails and shakes offer our pub customers a wow factor

STAY

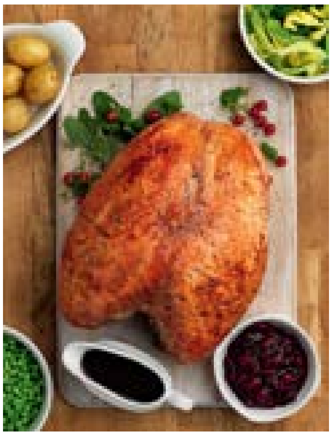
OUR ROOMS OFFER GREAT VALUE AND CONVENIENCE FOR BUSINESS AND LEISURE VISITS.

TRENDS

- The UK hotel market continues to grow with more budget accommodation on offer
- Regional hotel performance is as strong as London
- Occupancy and revenue growth is fuelled by more UK business travel and families taking short breaks in the UK
- Budget hotels account for 34% of the UK hotel market and are outperforming the rest of the sector

OPPORTUNITIES

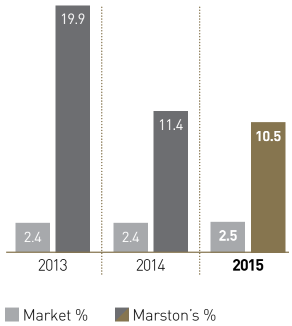
- Our new-build pubs are located in areas where there is an expected high flow of people: whether that be where they live, work, shop or play
- Focus in regional towns and cities to add profitable room capacity
- Building adjacent lodges enhances the food and drink trade in that pub
- Everyday budget pricing promotes trust and frequency of stay

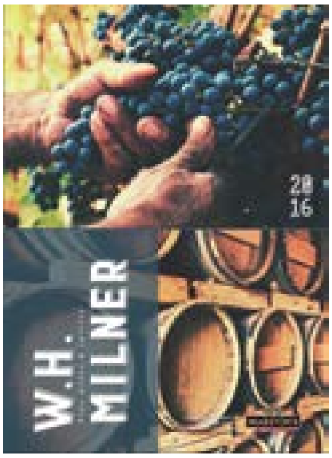


OUR RESPONSE

- Clear signposting on our menus helps customers build a more personalised meal
- We have increased the choice of dishes beyond traditional meals
- Rotisserie chicken, carvery and pizzas offer further growth opportunities
- Greater focus on training around new menus ensures we get our dishes right every time

EATING-OUT SALES GROWTH

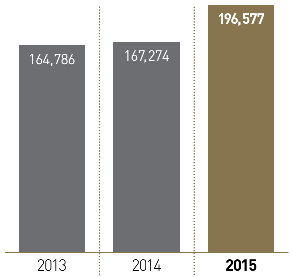




OUR RESPONSE

- Development of craft beers that appeal to new and existing customers
- We are the exclusive supplier of two premium world lagers
- We have revived the W.H. Milner brand as a specialist supplier of wines and spirits to our brewing customers
- We are testing a new range of blended and mixed soft drinks in our pubs
- Ice cream cabinets will serve up cola floats and other new drinks in our pubs

PBA SALES (CBR*)

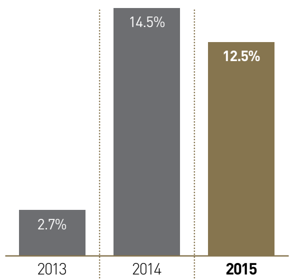


* Composite barrels

OUR RESPONSE

- Rooms are a fast-growing revenue stream and we have plans to develop and expand our capacity
- We are building five new lodges (135 rooms) in 2016
- All offer parking, Wi-Fi and breakfast at no additional cost
- Relaunch of the Marston's Inns website with improved content, search and booking functionality

ROOM INCOME YIELD GROWTH



OUR BUSINESS MODEL
BEER, PUBS & ROOMS

CREATING VALUE THROUGH A VERTICALLY – INTEGRATED BUSINESS MODEL

Our markets are complex and fast-moving but our core business model is simple and has stood the test of time. We make good beer and we run good pubs. The benefits of our vertically-integrated model include greater opportunities; cost efficiencies, and reduced operating risks.

But we need to move with the times. That's why you'll see us selling premium beers to supermarkets, creating innovative food menus and gaining a foothold in the hotel business. This attracts customers to our establishments and meets the demand for more innovative products and services – but we never lose sight of our core model.

BEER

We have a permanent range of 23 cask beers and brew over 40 guest ales every year on a seasonal basis.

How this adds value
Our own-brewed beers reflect and strengthen our regional provenance, increase brand awareness at home and increase footfall in our pubs and bars.

PUBS

We operate pubs and bars under different ownership models – managed, franchised, tenanted and leased

How this adds value
This maximises our operating flexibility and ensures that we are best 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.

ROOMS

We offer accommodation in around 800 rooms in pubs or standalone lodges. In 2015 we opened three lodges and expect to open five in 2016.

How this adds value
Budget accommodation is a growing market, and we are able to make the most of well-positioned pubs and sites through rooms. Visitors also contribute to trade in the pub.

WHAT WE NEED TO NURTURE FOR OUR MODEL TO WORK:

- **STRONG RESEARCH AND DEVELOPMENT SKILLS, INNOVATIVE SPIRIT AND MARKET INSIGHT**
- **ENGAGED COLLEAGUES AND LESSEES THROUGH WOW***
- **VALUED AND RECOGNISED BRANDS**
- **STRONG COMMUNITY RELATIONSHIPS**

THE RIGHT CULTURE

WHO BENEFITS?

CUSTOMERS

Pubs and menus to suit all occasions

Offer good value for money and premium experiences

Continual food development and innovation

OUR PEOPLE

13,500 people employed

Over 1,800 accredited qualifications achieved by our people

Award-winning employee recognition scheme

GOVERNMENT

Over £350 million tax generated

Signed up to UK Government Public Health Responsibility Deal pledges

COMMUNITY

Partnered with over 700 pubs to raise c£600,000 in Give Back week

Pub is the Hub sponsor

Responsible drinking promotions

THE ENVIRONMENT

Year on year reduction in average energy use and CO_2 emissions per pub through investment in technology, design and behaviours

Over 97% of waste produced in our breweries is recycled

SUPPLIERS

We have a loyal, trusted supplier base, many of whom are family owned and enjoy a close working relationship with us

INVESTORS

£111.3 million dividends paid in the last three years

54% increase in shareholder value since 2012

Accredited member of FTSE4Good†

For more information about how we maximise our value creation by following our strategy see page 10

† An index that measures a company's environmental, social and governance practices.

*WAYS OF WORKING (WOW)

We know that if our people feel good, they will operate at their best which in turn results in consistent, quality products and services we can be truly proud of and that differentiate us in our competitive markets.

- People come first at Marston's – making people feel good is what we're all about, whether that's our customers, our employees or our suppliers.
- We work as one team, ensuring our people feel empowered to play their part in exceeding our customers' expectations.
- Listening, understanding and responding in the right way is important to us as it demonstrates that we care, not just about what we do but the way we do it.
- Our people are proud of our heritage, passionate about the future and continually strive to make Marston's a success.

A CLEAR STRATEGY

OUR STRATEGY SUPPORTS OUR OVERALL AIM

OUR AIM IS TO MAKE MARSTON'S 'THE PLACE TO BE' FOR:

OUR CUSTOMERS

We want our customers to visit us and then come back time and time again

OUR PEOPLE

We want to recruit and retain the best people in the industry

OUR INVESTORS

We want to attract the highest quality investment in our sector

In order to achieve this aim, we remained focused on the following five strategic pillars:

OUR FIVE STRATEGIC PILLARS	WHY THIS IS IMPORTANT	HOW ARE WE PROGRESSING	HOW WE ARE MEASURING THIS
1 Operating a high quality pub estate	The new-build programme remains our key growth driver. Our 134 new pub-restaurants generate high levels of profitability and valuation uplifts that create significant shareholder value.	The three-year transformation of our pub portfolio towards an optimal estate is now largely complete. In 2015 we opened 25 pub-restaurants and disposed of 117 smaller wet-led pubs.	– New-builds completed – Underlying earnings per share – CROCCE – Average profit per pub **See pages 16 – 17**
2 Operating a range of pub brands and formats	Whilst new-build, food-led pubs remain our core growth driver, our strategy has evolved to capitalise upon other opportunities for expansion where the returns are attractive.	Around 78% of profits are from managed or franchise-style pubs. The remainder operate under the model most likely to maximise sales and profits in that pub.	– Free cash flow – Like-for-like sales versus market (Destination and Premium) – Average profit per pub **See pages 16 – 17**
3 Offering value for money, great food and drink, and category innovation	Customers are looking for a premium experience in an informal setting at any time of the day and our offer needs to keep attracting them.	In 2015 we continued to develop and evolve our food offers: with 20 more Pizza Kitchens and the introduction of burrito bars and Revere's new better burgers and pizzas.	– No. of main meals served – Like-for-like sales versus market (Destination and Premium) **See page 17**
4 Leadership in the UK beer market	Consumers seek a wide choice of beers with local provenance and taste. Our portfolio of market-leading brands focuses on the growth segments of the market.	Our growing portfolio of premium, craft and regional beers is supported by significant distribution capabilities and a local approach to our brands.	– Market share of premium cask ale – Market share of premium bottled ale **See page 17**
5 Our people - Marston's - 'The Place to Be'	If our people feel good and enjoy what they do, our customers will feel the benefits, enjoying and buying more of our products more frequently.	We're in the early stages of implementing a new People Strategy across the business that aims to recruit, retain and develop the very best people.	– Employee engagement **See page 17**

FINANCIAL DISCIPLINE UNDERPINS OUR STRATEGIC GROWTH

To ensure our growth is sustainable and profitable we remain focused on maximising the return from our capital. CROCCE (Cash Return on Cash Capital Employed) is a key measure for all strategic investment and an important remuneration measure.

For more on how we reward our Directors based on our KPIs see page 39

OUR STRATEGIC PILLARS IN ACTION

1 OPERATING A HIGH QUALITY PUB ESTATE

BUILDING PUB-RESTAURANTS

In our Destination business, we have opened over 130 pub-restaurants since 2009, offering family dining at reasonable prices. These pubs generate high turnover, with target sales of £25,000 per week and a food sales mix in excess of 60%.

We have an experienced site acquisition team and a well-established site selection process. As a consequence this expansionary investment has generated consistent returns and we have extended our trading geography to include southern England and Scotland. New pub investment creates significant value for shareholders as demonstrated in the pub estate valuation that took place in the financial year.

We opened 25 pub-restaurants in 2015, creating 1,250 jobs, and expect to open at least 20 per annum for the foreseeable future, including our first new-build Taverns pub in 2016.

BROADER INVESTMENT IN PREMIUM PUBS AND ACCOMMODATION

In addition to the investment described above, we believe there is further opportunity to grow both our Premium pub business and accommodation. In 2015 we successfully converted two pubs from the existing estate to our Revere format and opened three lodges adjacent to new-build pub-restaurants. Organic room income has been consistently strong with sales growth exceeding 50% over the last three years and we anticipate similar trends in the future with growth in leisure and business visitors. Looking forward, we expect to continue this expansion with two Premium bars and at least five lodges opening per annum.

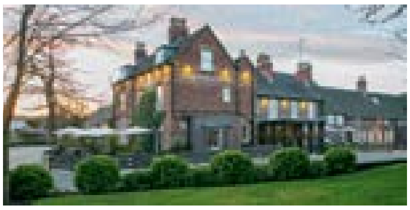
CONTINUED GROWTH OF THE FRANCHISE MODEL

We pioneered the introduction of franchise-style agreements into the pub sector. Our view remains that the franchise operating model improves the customer experience, attracts quality franchisees to Marston's and enhances earnings in our community pubs. In 2015, we introduced franchise-style agreements into a further 80 pubs. This year our most successful franchisees have generated turnover levels similar to those in the Destination estate and the first multiple franchisees have been appointed.

The franchise model now operates in 550 pubs and it remains our intention to convert the remaining pubs in the Taverns estate to this model over the next few years. We are also evaluating the potential for franchise-style agreements in the Destination estate.

INVESTMENT IN AREAS LESS EXPOSED TO COMPETITOR OVER-SUPPLY

We are operating in a market where there is currently a high level of investment in new supply, particularly in branded casual dining. It is estimated that in 2015 around 2,000 new outlets will open in the UK eating-out sector in a market that is growing moderately. Our investment is targeted in areas that are less exposed to this intense competition, particularly in market towns where there is unlikely to be significant additional investment over and above a new pub or lodge.



The Farmhouse, Mackworth

DISPOSAL OF SMALLER WET-LED PUBS

We disposed of 117 pubs and other assets during the year generating proceeds of £70 million. The disposal programme is substantially complete, although a normal level of estate churn will continue.

Since 2013, when we announced an acceleration in our disposal plans, we have reduced the size of the pubs estate from 2,050 pubs to a core 1,600 pubs. Importantly, average profit per pub, a good indicator of pub quality, has increased to around £100,000 per pub, up around 40% since 2012.

CORE PUB ESTATE

c.1,600

AVERAGE PROFIT PER PUB

£100,000

OUR STRATEGIC PILLARS IN ACTION
CONTINUED

2 OPERATING A RANGE OF PUB BRANDS AND FORMATS

Around 78% of profits from our pubs are now generated by managed or franchise-style pubs in which Marston's has direct control over the retail offer ensuring that we are better able to deliver consistent service, standards and value across the estate. This proportion will continue to increase as we build more pubs and convert most of the remaining tenanted pubs to franchise-style agreements.

We operate a pub estate that caters for a broad range of customers, with flexible operating models. As a consequence we ensure we have the right consumer offer, accompanied by the most appropriate operating model to maximise sales and profits for each individual pub. The key elements of this are as follows:

DESTINATION 360 PUBS

Our Destination pubs offer family dining at reasonable prices, with excellent service in a relaxed pub environment. We operate two principal brands - Marston's 'Two for One', and 'Milestone Rotisserie'. The food sales mix of this business is 58%.

Pen Y Bont, Mold

PREMIUM PUBS AND BARS 37 PUBS

Our Pitcher & Piano bars and Revere pubs offer premium food and drink in attractive town centre and suburban locations. The food sales mix is 28%.

Pitcher & Piano, Swansea

TAVERNS 859 PUBS

Our community pubs include franchised pubs, managed pubs and tenancies. Over the next two to three years we expect that most of our Taverns pubs will be operated under our franchise model. Typically, these are wet-led pubs although food sales represented 17% of sales in 2015.

Goodfellowship Inn, Hull

LEASED PUBS 341 PUBS

These distinctive pubs benefit from a greater degree of independence and committed licensees. The leased model, with longer-term assignable agreements, attracts skilled entrepreneurs who build value through developing their own businesses. We contribute through our expertise in attracting the right lessee, dealing in a fair manner and providing business support.

MARSTON'S INNS

We offer high quality accommodation in 44 pubs within the Destination and Premium segment. In total, we have around 800 rooms including three lodges which opened during the financial year.

Penny Hedge, Whitby

3 OFFERING VALUE FOR MONEY, GREAT FOOD AND DRINK, AND CATEGORY INNOVATION

GREAT FOOD

As described on page 11, the sector is seeing an unprecedented level of new outlet expansion and competition and it is therefore critical that we maintain a quality food offer that has broad appeal to all age groups and demographics. Traditional pub favourites, such as fish and chips, will always be staple classics on our menus but it is also important that we continue to develop and evolve our food offers and introduce new tastes and flavours. In 2015 we continued the rollout of Pizza Kitchen which now operates in 40 pubs, and introduced burrito bars. Our new better burger and pizza concept in Revere is proving extremely popular with very encouraging initial trading. We expect to maintain this pace of food development for the foreseeable future.

40

PIZZA KITCHENS OPERATE IN OUR PUBS

To read more about our approach to food, visit our website **www.marstons.co.uk**

VALUE

Our customers value a great experience and great value for money, and reward us for getting the offer right through higher frequency of visits and increasing spend per head. Value is not defined by price alone – we do not aim to offer the lowest prices in the market – but also reflects ambience, service and amenity. We monitor customer feedback through a range of formal and informal mechanisms.

GREAT DRINKS

We aim to ensure that our drinks range appeals to a broad audience, whilst introducing new brands and styles reflecting current market trends – in beer, wines and spirits, as well as non-alcoholic drinks.

In our pubs, premium beers now account for over 55% of beer sold. Through our Masters of Cask initiative in Taverns we are aspiring to be regarded as the best place locally for beer range and quality. In other drinks categories we have also made good progress. We now sell 15 million glasses of wine and coffee sales continue to grow with 5 million cups of coffee sold last year. In our Revere pubs, cocktails now account for 9% of drinks sales, demonstrating the importance of offering a premium drinks experience to our customers.

To read more about our approach to alcohol and responsible retailing visit our website **www.marstons.co.uk**

PREMIUM BEERS

>55%

OF TOTAL BEER SALES

5M

CUPS OF COFFEE SOLD

15M

GLASSES OF WINE SOLD

OUR STRATEGIC PILLARS IN ACTION
CONTINUED

4 LEADERSHIP IN THE UK BEER MARKET

Recent trends in the UK beer market have seen consumers seeking a wider choice of beers with local provenance and taste, including craft beers. The growth of the UK eating-out market has also seen a shift to premium beers and a preference for quality. In addition, we saw growth in the off-trade, with the strongest growth in the premium bottled ale segment.

We have benefited from these trends with our wide portfolio of beers from five breweries, a national distribution network and local approach to our beer brands. Almost one in five premium bottled ales and around one in five premium cask ales in the UK are Marston's brands. Over the last 10 years, our mix of premium ales has increased by 30% to around 70% of sales and the mix of sales to the off-trade has increased by 25% to 55%.

Our Classic Ales and Golden Ales mix packs feature some of our most popular bottled ales and are available to buy in supermarkets and our brewery shops.

CATEGORY LEADERSHIP

As recognised category leaders, we work hard with our customers to improve the overall performance of the category and through the publication of the annual Cask Ale Report and the Premium Bottled Ale Report, provide valuable insight into current and future trends. Our role as category leaders has been recognised across the industry, with our beers receiving 24 awards, the Publican National Cask Ale Supplier of the Year and the Marketing Week award for the Pedigree campaign in the year.

Our marketing activity reflects the inherent character of our brands. Hobgoblin, our largest brand, is famous as the '**Unofficial** Beer of Halloween'. In addition, the brand has benefited from high visibility at music festivals throughout the summer and has a prominent social media standing, with 200,000 Facebook followers and over half a million views of our 2015 Halloween campaign. Regionally, we support local brands through sponsorship of events including the New Forest Show, the Henley Regatta and the Keswick Jazz Festival.

200,000
HOBGOBLIN FACEBOOK FOLLOWERS

BEER MARKETING AWARDS
WINNER 2015

INNOVATION

Innovation is also key to maintaining our competitive advantage. During the year we introduced 25 new beers into the market including Hobgoblin Gold, which has achieved annual volumes of around 20,000 barrels since launch, and recent launches of Pedigree New World, Shipyard IPA and the Revisionist craft range have also proved popular.

We continue to seek appropriate additions to the portfolio. During the period we completed the acquisition of Thwaites' beer division, including the Wainwright and Lancaster Bomber brands, for a total cash consideration of £25.2 million before working capital. The acquisition is consistent with our strategy to focus on popular premium ale brands and provides further opportunities for growth in the developing free trade market.


Stunning performance for Hobgoblin Gold since launch

25
NEW BEERS LAUNCHED LAST YEAR

5 OUR PEOPLE – MARSTON'S – 'THE PLACE TO BE'

Marston's employs around 13,500 people and although many businesses claim that 'people are our most important asset', it is the case that nothing makes a bigger difference to our business than our people.

We want Marston's to be 'The Place to Be' for our customers and for all our employees. Following the appointment of a Group People Director earlier this year we have reviewed and reinvigorated our approach to ways of working, aiming to modernise and build on the excellent values and culture the business has developed over many years. There are three key components to our People Strategy: investment in training and development, recruit the best people and keep people at the heart.

INVESTMENT IN TRAINING AND DEVELOPMENT

We have a strong, caring and collegiate culture at Marston's. We take time to listen, understand and take action. Our people are trusted and empowered to play their part in exceeding our customers' expectations and in turn we support the development of their skills and careers in partnership. We are committed to training: this year one in four employees received accredited training, covering a wide range of skills from pub to Wines & Spirits Education Trust, finance, Chartered Management Institute, brewing and degree courses. Around 60% of our people are below the age of 25 and this year we have 581 completing apprenticeships in addition to the 1,147 completed in the last three years.

581
APPRENTICESHIPS COMPLETED

1,250
NEW JOBS

RECRUIT THE BEST PEOPLE

Differentiation is essential in our industry and we recognise that the way our people think, feel and act will make Marston's stand out. As such, we aim to recruit, retain and develop the very best people, who can truly deliver best practice, bring fresh thinking and have the passion and drive to help our business go from strength to strength.

COMMUNITY

Our pubs are often regarded as the hub of a community and, as such, we want to support our customers and the causes that are important to them. That's why our employees work hard to raise funds for worthy, local charities throughout the year. It's our way of giving back and helping to make a difference locally.

HEALTH AND SAFETY

The health and safety of our employees, customers and the general public is treated with the utmost importance. A description of our systems and policy are available on our website.

PEOPLE AT THE HEART

People come first at Marston's – making people feel good is what we're all about, whether that's our team, our customers, or our suppliers. By keeping people at the heart of the business we ensure they are engaged and loyal in all they do. We act as one team, proud of our history and always striving for success.

To read more about our people, our community involvement and our approach to Health and Safety, visit our website **www.marstons.co.uk**

MEASURING OUR PROGRESS

OUR KEY PERFORMANCE INDICATORS

WE HAVE A RANGE OF FINANCIAL AND NON-FINANCIAL KPIs TO HELP US STAY FOCUSED ON OUR STRATEGY AND ALIGN REMUNERATION TO PERFORMANCE

FINANCIAL KPIs

AVERAGE PROFIT PER PUB

KPI

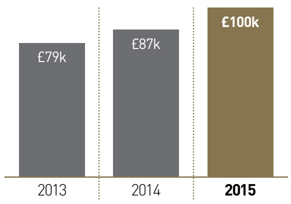
Why we have chosen this KPI
A measure of our success in creating quality pubs that match customers' needs.

How it links to strategy, risk and remuneration
Pillars: **#1** and **#2**

Risk 3 (investment plans)

Annual bonus measure – Group profit

Progress



CROCCE

KPI

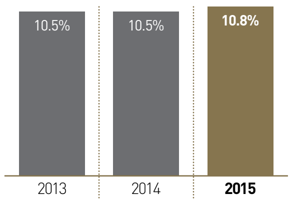
Why we have chosen this KPI
A key driver of shareholder value and reflects progress made on investments, disposals and profitability of our core estate.

How it links to strategy, risk and remuneration
Pillars: **#1** and **#2**

Risk 1 (economic) and
3 (investment plans)

Annual bonus and LTIP measure

Progress



FREE CASH FLOW (FCF)

KPI

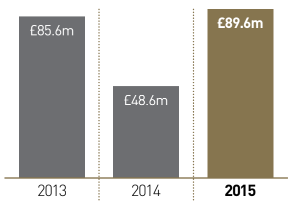
Why we have chosen this KPI
Free Cash Flow is a measure of cash generated and available to reinvest in the business; to return to shareholders in the form of dividends; and to repay debt.

How it links to strategy, risk and remuneration
Pillar **#1**

Risk 2 (regulatory) and
6 (financial covenants)

LTIP measure

Progress



UNDERLYING EARNINGS PER SHARE (EPS)

KPI

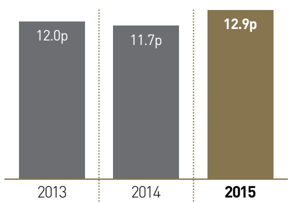
Why we have chosen this KPI
A widely-used profitability and valuation measure.

How it links to strategy, risk and remuneration
Pillar **#1**

Risk 2 (regulatory) and
3 (investment plans)

Forms part of LTIP measure – relative TSR

Progress



NON-FINANCIAL KPIs

NEW-BUILDS COMPLETED

KPI

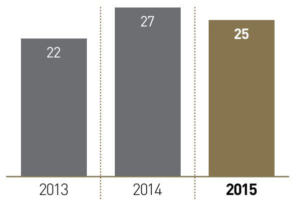
Why we have chosen this KPI
The programme is a key driver of profit and returns growth within our business. Our plan is to open 20 per annum in future, spending around £65 million per annum.

How it links to strategy, risk and remuneration
Pillar **#1**

Risk 1 (economic), 3 (investment plans), 4 (IT) and 6 (financial covenants)

Impacts bonus measure of Group profit

Progress



LIKE-FOR-LIKE SALES VERSUS MARKET (DESTINATION AND PREMIUM)

KPI

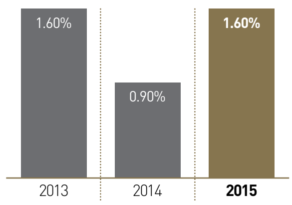
Why we have chosen this KPI
Our aim is to make Marston's 'The Place to Be' and the best way to measure this is to compare our like-for-like sales performance against the market (based on the Coffer Peach Business Tracker).

How it links to strategy, risk and remuneration
Pillars **#1** and **#3**

Risk 4 (IT) and 5 (staff and licensees)

Impacts bonus measure of Group profit

Progress



NO. OF MAIN MEALS SERVED

KPI

Why we have chosen this KPI
A key volume indicator of growth in food, it provides the foundation from which increased spend per head can be achieved through starters, desserts and coffee. It includes all managed and franchised pubs.

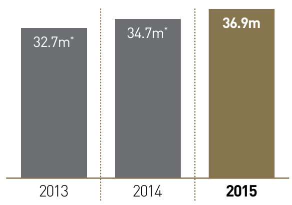
* Restated to include franchise.

How it links to strategy, risk and remuneration
Pillar **#3**

Risk 1 (economic), 4 (IT) and 5 (staff and licensees)

Impacts bonus measure of Group profit

Progress



MARKET SHARE OF PREMIUM ALE

KPI

Why we have chosen this KPI
We seek to maintain our lead in the premium cask and bottled ale market through innovation, quality and range of beers. This measure allows us to compare our relative performance to competitors.

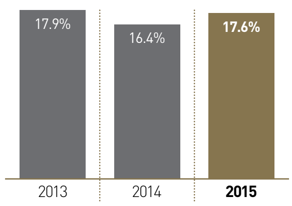
How it links to strategy, risk and remuneration
Pillar **#4**

Risk 2 (regulatory)

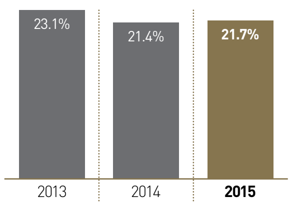
Impacts bonus measure of Group profit

Progress

CASK ALE %



BOTTLED ALE %



EMPLOYEE ENGAGEMENT

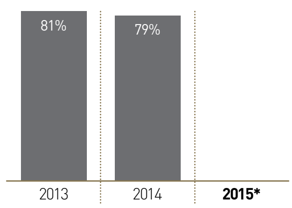
KPI

Why we have chosen this KPI
We believe that if our employees are engaged with us and our strategy this will reflect in our engagement with customers and result in great service.

How it links to strategy, risk and remuneration
Pillar **#5**

Risk 5 (staff and licensees)

Progress



* Following feedback from our employees and changes in our HR leadership, we have reviewed and improved our employee survey process. Our next survey will take place in Spring 2016.

OPERATING REVIEW

DESTINATION AND PREMIUM

OVERVIEW: LARGER FOOD-LED MANAGED PUBS, PREMIUM BARS AND DINING, ACCOMMODATION
KEY BRANDS: MARSTON'S TWO FOR ONE, MILESTONE ROTISSERIE, PITCHER & PIANO, REVERE
TYPICAL CUSTOMERS: VALUE SEEKERS OR THOSE LOOKING FOR A PREMIUM EXPERIENCE

FOCUS

- Estate development: high quality national estate
- Offers a range of trading formats, brands and rooms
- Consumer focus on value for money

OBJECTIVES

- 500 sites by 2019
- Continue to develop principal brands and formats
- Continue to improve service and standards through investment in our pubs and our people

PROGRESS

- 134 pub-restaurants opened in eight years
- Food sales now 58% of sales in Destination
- LFL sales and margin growth in last four years

PLANS

- 20 pub-restaurants, two Premium bars and five lodges per annum
- Maintain value offers
- Expand Premium pubs

KEY FACTS 2015

397
PUBS AND BARS

10,238
EMPLOYEES

437,000
AVERAGE PINTS SOLD PER WEEK

£83.6M
OPERATING PROFIT REPRESENTING 51% OF UNDERLYING GROUP OPERATING PROFIT

TAVERNS

OVERVIEW: COMMUNITY PUB ESTATE OF SMALLER MANAGED, FRANCHISED AND TENANTED PUBS
KEY BRANDS: A LICENSEE WHO CONNECTS WITH THEIR COMMUNITY AND KNOWS THEIR CUSTOMERS
TYPICAL CUSTOMERS: THOSE WANTING TO DRINK, SOCIALISE AND BE ENTERTAINED

FOCUS

- Making community pubs the heart of their local community
- Offer great drink, food and entertainment
- Low barriers to entry, simple model

OBJECTIVES

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

PROGRESS

- 550 sites under franchise
- LFL sales growth out-performing the market
- 117 pubs disposed of in 2015

PLANS

- 200 franchise conversions planned
- Develop appropriate food offers
- 100 disposals next year

KEY FACTS 2015

859
PUBS AND BARS

1,479
EMPLOYEES

1.2M
AVERAGE PINTS SOLD PER WEEK

£55.9M
OPERATING PROFIT REPRESENTING 34% OF UNDERLYING GROUP OPERATING PROFIT

LEASED

OVERVIEW: INDEPENDENTLY-RUN PUBS
KEY BRANDS: EXCEPTIONAL SERVICE AND HIGH QUALITY OFFERS FROM SKILLED ENTREPRENEURS
TYPICAL CUSTOMERS: THOSE LOOKING FOR A DIFFERENT AND INDIVIDUAL OFFER

FOCUS

- Stable estate run by high quality entrepreneurs
- Flexible agreements, purchasing power and pub experience offers support and choice

OBJECTIVES

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

PROGRESS

- Full flexibility on rates and beer pricing
- Rental income growing
- Retention rate >90%

PLANS

- Continue to develop strong relationships
- Targeted investment to drive profit growth

KEY FACTS 2015

341
PUBS AND BARS

91%
LICENSEE STABILITY RATE

365,000
AVERAGE PINTS SOLD PER WEEK

£23.8M
OPERATING PROFIT REPRESENTING 14% OF UNDERLYING GROUP OPERATING PROFIT

BREWING

OVERVIEW: FIVE BREWERIES PRODUCING A WIDE PORTFOLIO OF CASK BEERS
KEY BRANDS: HOBGOBLIN, MARSTON'S PEDIGREE, WAINWRIGHT, RINGWOOD, BRAKSPEAR, BANKS'S
TYPICAL CUSTOMERS: DISCERNING AND KNOWLEDGEABLE DRINKERS OUT-OF-HOME (PUBS, CLUBS AND BARS) AND AT HOME

FOCUS

- Premium cask and bottled ale
- Development of craft beers
- Strong presence in local markets through our five breweries and free trade operation
- Expansion of take home and export teams

OBJECTIVES

- To be the category leader for premium cask and bottled ale
- Innovate to maintain competitive advantage
- Leverage the value from local breweries

PROGRESS

- Circa one in five bottles and one in five casks are Marston's
- Premium ales >55% of off-trade sales
- Acquisition of Wainwright and Lancaster Bomber
- 25 new beers introduced

PLANS

- Maintain segment market leader status and grow market share
- Expand our free trade customer base
- £4 million warehouse investment to accommodate growth in bottled sales

KEY FACTS 2015

5
BREWERIES

313
EMPLOYEES

4.4M
AVERAGE PINTS BREWED PER WEEK

£20.7M
OPERATING PROFIT REPRESENTING 13% UNDERLYING OF GROUP OPERATING PROFIT

RISKS AND RISK MANAGEMENT

OUR PROCESSES AND SYSTEMS HELP TO ENSURE THAT RISK MANAGEMENT IS CONTINUALLY EMBEDDED AND UNDERSTOOD IN THE OPERATIONS OF THE BUSINESS.

Jonathan Moore
Corporate Risk Director

INTERNAL CONTROL

The Board is responsible for the Group's systems of internal control and risk management and reviewing their effectiveness. There is an ongoing monitoring and review process of the risks facilitated by the Corporate Risk Director. Management are responsible for monitoring and reporting on the effectiveness of the controls. Reporting is sufficient for the Board to understand its risk appetite and the strength of the control environment in mitigating risk to an acceptable level.

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

The key features of the risk management and internal control system are:

- A clearly defined management structure operating within a framework of policies and procedures covering authority levels, responsibilities and accountabilities (detailed opposite).
- 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 Group's goals.

The internal audit strategy and compliance testing takes into account the key business risks and provides assurance to the Audit Committee on the effectiveness of the management systems mitigating them to an acceptable level.

PRIORITISING OUR RISKS

The principal risks from the Corporate Risk Register are plotted on the risk heat map opposite and are explained in more detail on pages 22 to 23.

MANAGING RISK WITHIN THE BUSINESS

Day-to-day responsibility for operational risks, at the level of the pub or brewery, rests with the pub managers and Head Brewers. The controls operated at each site are part of wider management systems designed to reduce internal risks, including food hygiene, health and safety, business continuity and security.

SUPPORTING COMMITTEES

The Corporate Risk Director chairs three committees which form an essential role in risk management. The committees are attended by a range of representatives from the business to ensure that the focus of attention remains relevant to operations.

Compliance Committee

A register of legislation appertaining to Marston's activities is maintained and confirmation is given to management that operations are compliant. Any breaches, or risk of breach are reported to the Board by the Committee. The Committee also considers any emerging areas of legislation or any changes in operations which may impact upon compliance.

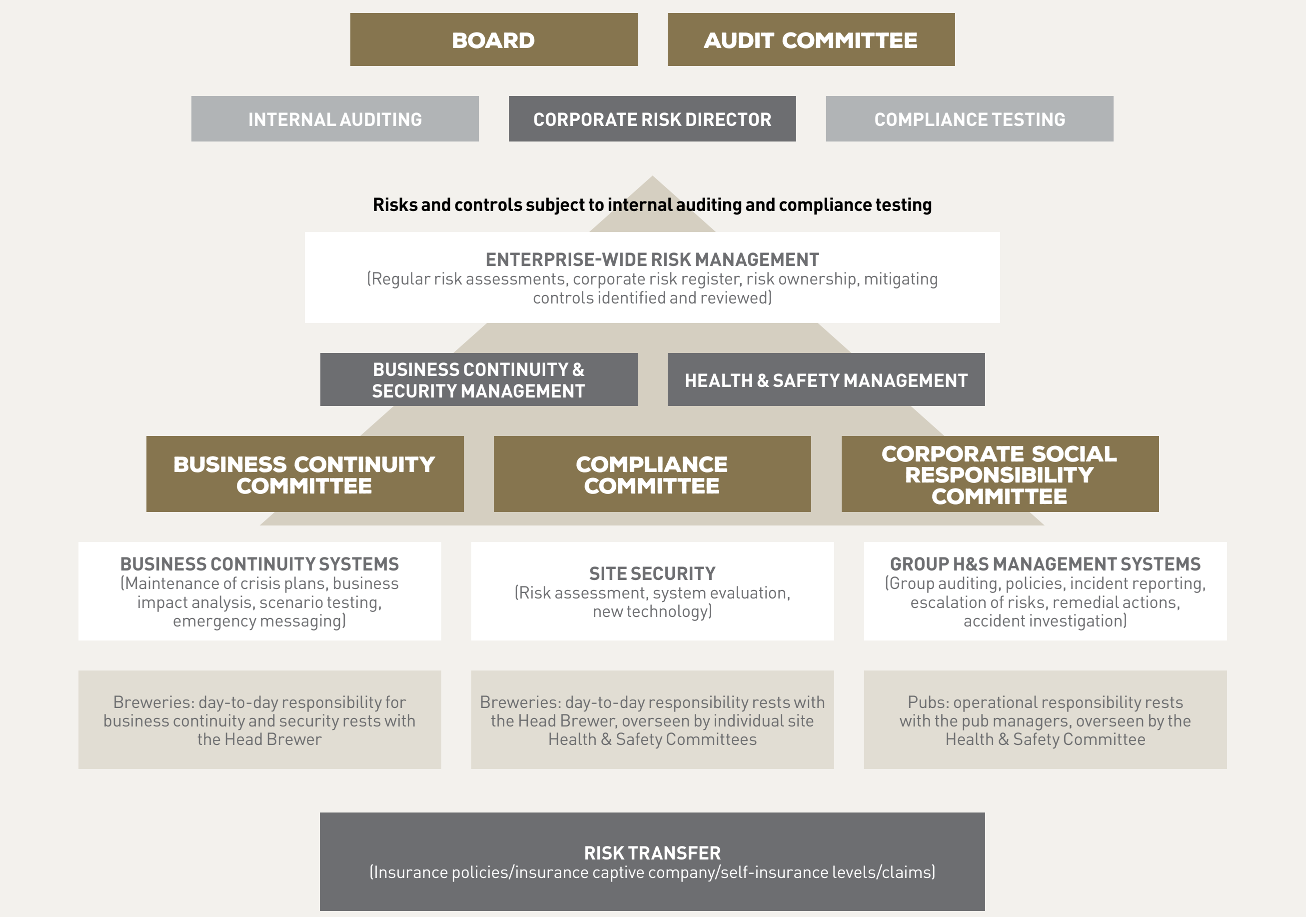
Business Continuity Committee

Marston's operates a business continuity management system to ensure that all contingency plans are regularly reviewed, remain appropriate and are sufficiently understood. The Committee reviews the management system, the status of the contingency plans and the resolution of any incidents that from time to time may occur.

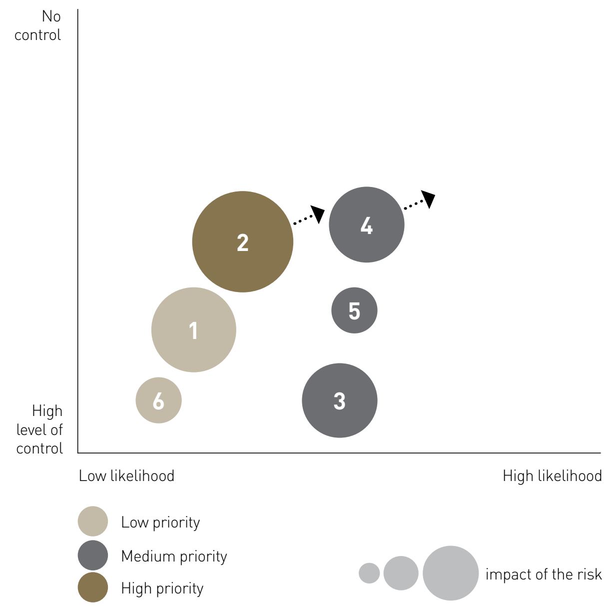
Corporate Social Responsibility Committee

The Committee oversees the CSR targets of the Group and reports to the Board annually on the activities adopted to achieve these targets. The Committee is also responsible for the external reporting of these activities within our Corporate Responsibility Report and under the Responsibility Deal.

MARSTON'S RISK MANAGEMENT FRAMEWORK



RISK LIKELIHOOD, CONTROL AND IMPACT



The Risk number corresponds to the Principal Risks overleaf.

VIABILITY STATEMENT

The Directors confirm that they have a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due for the next five years.

A period of five years has been chosen as this is the timeframe currently adopted by the Board as its strategic and financial planning horizon. This assessment of viability has been made with reference to the Group's current position and future prospects, its strategy, the market outlook and its principal risks and management thereof, as set out in the Strategic Report.

The strategy and risks to achieving the Group's five-year plan are reviewed by the Directors at their annual Strategy Day and again when the budget for the following year is considered. The five-year plan considers the Group's earnings growth potential, its cash flows, financing options and key financial ratios. The plan takes into account the economic outlook and principal risks in arriving at its key assumptions on expected turnover and cost pressures across the pub estate and beer business. It also takes account of estate development through innovation, investment and disposal opportunities.

PRINCIPAL RISKS AND UNCERTAINTIES

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.

RISK CONTEXT	THE RISK	POTENTIAL IMPACT	STRATEGIC PILLARS AFFECTED	MITIGATION
1 **Economic** The basic cost of living could rise at a faster rate than income, which would impact upon the spending capacity of our customers.	Economic uncertainty.	A fall in consumer confidence could impact upon our sales and our investment plans.	1 3	• Value for money, competitive proposition. • Customer choice, flexible pricing options and a range of pub brands and formats. • High standards of service and quality. • Eating-out remains resilient to difficult economic conditions.
Movement		The UK economy continues to grow and there is less uncertainty in the short term. Unemployment is falling, oil and commodity prices have also fallen, all of which helps our customers. Continuing cuts in public expenditure and the probability of an increase in interest rates next year may impact upon consumer confidence.		
2 **Regulatory** Marston's operates across heavily regulated areas – alcohol licensing, food hygiene, sale of alcohol, transport, property development and property management.	Changes in regulation impacting upon the cost of business, or obstructing growth.	Increased regulation affecting Marston's directly, or our suppliers, could increase the cost of compliance.	2	• Maintain excellent levels of compliance through training and monitoring. • Robust health and safety management systems. • Active consultation with Government, trade bodies and the BBPA. • Anticipate legislative changes and structure operations accordingly to minimise impact where possible.
Movement		The Small Business and Enterprise Act 2015 stipulates a requirement for a Statutory Code for pub companies to adopt, and an Independent Adjudicator to regulate the relationship they have with their tenants. In mitigation of this risk Marston's already operates a Code of Practice, and handles its lease and tenancy agreements in a fair and transparent manner. Additionally Parliament has introduced a market rent option for tenanted and leased pubs which would have the effect of providing licensees with free-of-tie agreements. In recent years Marston's has taken steps which minimise the impact of this change, including the introduction of franchise-style agreements and the disposal of weaker pubs. We continue to keep this under review pending clarification of the details of the legislation. The Government has announced a new National Living Wage of £7.20 an hour for those aged 25 years or over (currently £6.50) from April 2016. This will rise to over £9 an hour by 2020. Increases in the National Minimum Wage have been anticipated by Marston's and have been incorporated into our forecasted results.		
3 **Investment plans** Increased competition for development sites for new-build pub-restaurants and lodges.	Investment plans do not meet expectation.	Reduced return on investment. Investment in new-build pub-restaurants and lodges is slowed.	1	• In-house property team with many years of experience delivering projects. • Tracking of new site availability. • Well managed pipeline of sites into the future. • Flexible investment model between developing pub-restaurants or lodges.
Movement		Competition for new-build sites has been strong and this is likely to continue, however no shortage of opportunities is envisaged. Marston's has a strong pipeline of sites in development and in recent years has expanded its new-build pub-restaurants into Scotland.		

A REMINDER OF OUR FIVE STRATEGIC PILLARS

1 Operating a high quality pub estate

2 Operating a range of pub brands and formats

3 Offering value for money, great food and drink, and category innovation

4 Leadership in the UK beer market

5 Our people – Marston's – 'The Place to Be'

RISK CONTEXT	THE RISK	POTENTIAL IMPACT	STRATEGIC PILLARS AFFECTED	MITIGATION
4 **Information Technology** Marston's has a heavy reliance upon IT networks to operate efficiently, process transactions and report on results.	Network outage. Loss, theft or corruption of data. Denial of service.	Reduction in the effectiveness of operations, business interruption and loss of profit. Regulatory fine as a result of the loss of data.	1, 4, 5	• Anti-virus and firewall protection. • Access control, password protection and IT policy adherence. • Network controls and monitoring. • Penetration testing and remediation. • Internal auditing and independent review of cyber protection. • Backup procedures. • Data recovery plans and rehearsals.
Movement	↑	Global cyber risk threats have increased in recent years. Theft of personal data is more common. There is an expectation that businesses must manage cyber risk as a key business risk. Marston's has conducted penetration testing on its network for many years now. Specific cyber risk audits are conducted on the protection of personal data by a team independent from our IT department.		
5 **Our staff and licensees** Increased demand for high calibre people. Marston's operates in a very competitive environment; as a result its strategic objectives have a heavy reliance upon the quality of its managers.	Failure to attract or retain the best people.	Financial targets and strategic objectives are not met.	5	• Training and induction programmes. • Staff appraisals and development programmes. • Delivery on action points identified by our staff. • Redevelopment of our head office to provide a modern, vibrant environment for staff to work in. • Flexible agreements with our tenants and franchisees.
Movement	↔	The sustained growth in our business has allowed for improvements in training programmes, and given more opportunity for staff to progress. The opening of our newly refurbished head office early in 2016 will provide an exciting and engaging environment that will encourage the creativity of staff and interaction between teams.		
6 **Financial covenants and accounting controls** The Group's financial systems have to handle a large number of transactions securely. Accurate reporting of financial results is key to running the business effectively and critically important for compliance with financial covenants.	Incorrect reporting of financial results. Unauthorised transactions. Breach of financial covenants with our lenders.	Loss of investor confidence and reputational damage. Potential loss as a result of fraud. Breach of covenant, resulting in additional financial operating restrictions.	1, 3, 4	• Detailed management accounts, budgets and forecasts. • Constant monitoring of financial ratios. • Internal audit programme. • Annual external audit. • Extensive segregation of duties. • Access controls over the financial systems accurately aligned with responsibilities. • Appropriate levels of authority.
Movement	↔	There are strong controls mitigating this risk to a low level. There has been no change in the risk since last year.		

PERFORMANCE AND FINANCIAL REVIEW

STRONG TRADING PERFORMANCE WITH UNDERLYING PROFIT BEFORE TAX UP 10.2% TO £91.5 MILLION

	Underlying revenue		Underlying operating profit		Margin	
	2015 £m	2014 £m	**2015 £m**	2014 £m	**2015 %**	2014 %
Destination and Premium	**408.1**	376.9	**83.6**	76.0	**20.5**	20.2
Taverns	**214.7**	225.1	**55.9**	55.7	**26.0**	24.7
Leased	**53.6**	53.1	**23.8**	23.5	**44.4**	44.3
Brewing	**169.1**	132.5	**20.7**	17.4	**12.2**	13.1
Group Services	**–**	–	**(18.6)**	(16.5)	**(2.2)**	(2.1)
Group	**845.5**	787.6	**165.4**	156.1	**19.6**	19.8

GROUP

Total underlying revenue increased by 7.4% from 2014 reflecting like-for-like growth in our pubs, the impact of new openings, growth in our beer brands and the acquisition of Thwaites' beer business. As previously forecast, our operating margin was 0.2% below last year reflecting lower margins in Brewing, as a result of the contract to supply Thwaites' pubs. Underlying operating margin increased in each of our pub segments, demonstrating our ability to grow our business by delivering a consistent and excellent customer experience rather than relying on the high level of discounting which has been prevalent in the market.

Underlying operating profit of £165.4 million (2014: £156.1 million) was up 6.0% despite the impact of disposals and a £2 million increase in pension costs. Profit growth was achieved in each of our trading segments.

Underlying profit before tax was up 10.2% to £91.5 million (2014: £83.0 million) principally reflecting the contribution from new pub-restaurants and a strong performance from Brewing.

Basic underlying earnings per share for the period increased by 10.3% to 12.9 pence per share (2014: 11.7 pence per share).

On a statutory basis profit before tax was £31.3 million (2014: loss of £59.2 million) and earnings per share were 4.1 pence per share (2014: 8.9 pence loss per share).

DESTINATION AND PREMIUM

Total revenue increased by 8.3% to £408.1 million reflecting the continued strong performance of our new-build pub-restaurants and growth in like-for-like sales. Underlying operating profit of £83.6 million was up 10.0% (2014: £76.0 million). Average profit per pub increased to £219,000, up 3%.

Total like-for-like sales were 1.8% above last year, with like-for-like food sales up by 1.7%, assisted by strong growth in sales of starters, desserts and coffee. In addition, like-for-like room income was up 5.6%. In Destination pubs, food now accounts for 58% of total sales (2014: 57%) and in Premium pubs and bars food is 28% of sales (2014: 27%).

Like-for-like wet sales increased by 1.7%, outperforming the declining UK on-trade drinks market. We continue to see growth in more premium products, with own-brewed premium ale volumes up 5% and premium lager up 7%.

We achieved a 0.3% improvement in operating margin through a disciplined approach to discounting and tight cost management.

TAVERNS
Total revenue decreased by 4.6% to £214.7 million principally reflecting the impact of disposals. The quality of the remaining pub estate has improved significantly with average profit per pub up 20% to £61,000.

In our managed and franchised pubs like-for-like sales were up 2.0% and operating profits were up 2.9% versus last year, reflecting the continued success of pubs operating under the franchise model.

Operating profit was up 0.4% to £55.9 million despite the effects of disposals, reflecting the strong performance of franchised pubs within our estate.

Operating margin was 1.3% above last year at 26.0%, primarily reflecting the benefit of the disposal of lower-end pubs.

LEASED
Total revenue increased by 0.9% to £53.6 million and underlying operating profit of £23.8 million was up 1.3% on last year. The performance of the core estate was strong with like-for-like earnings growth of 4%, including rental income growth of 3%. Average profit per pub increased by 4% to £70,000 and licensee stability remained stable at over 90%. Operating margin of 44.4% was up 0.1%.

BREWING
Total revenue increased by 27.6% to £169.1 million, reflecting the benefits of the Thwaites acquisition described above. Underlying operating profit increased by 19.0% to £20.7 million.

Overall ale volumes were up 15% on last year reflecting the benefits of the Thwaites acquisition. Excluding Thwaites there was a 5% increase in volumes. Premium cask ale volumes were up 15% and premium bottled ale volumes up 17%. Hobgoblin, our largest brand, continues to grow with sales up 31% on last year, supported by the introduction of Hobgoblin Gold. We have maintained our position as 'category market leader' in both the premium bottled ale and premium cask ale markets.

We have made good progress in all trading segments. In the independent free trade, our account base increased to more than 5,000 customers and premium ale sales to this sector increased by 22%. In the take home market we continue to perform very strongly with volumes up 16% and in the national on-trade volumes have increased by 34%.

Operating margin was slightly down versus last year at 12.2%, reflecting the impact of the pub supply arrangement with Thwaites which generates a positive profit contribution, albeit at a low margin percentage.

CAPITAL EXPENDITURE AND DISPOSALS
Capital expenditure was £142.3 million in 2015 (2014: £142.6 million), including £68 million on the construction of 25 pub-restaurants. We expect that capital expenditure will be around £140 million in 2016, including around £70 million for the construction of at least 20 new pub-restaurants, two Revere bars and five lodges.

During the year we generated £69.6 million of cash from the sale of 117 pubs and other assets.

Cash return on cash capital employed improved to 10.8% (2014: 10.5%) reflecting the contribution of new-build pub-restaurants and the disposal of low-returning pubs. We remain focused on improving returns and are confident that the implementation of our strategy will continue to increase returns over time.

FINANCING
At 3 October 2015 the Group had a £257.5 million bank facility to November 2018 and the amount drawn down at 3 October 2015 was £220 million. In addition, we have a £30 million two-year facility for the Thwaites acquisition. These facilities, together with a long-term securitisation of approximately £860 million and the lease financing arrangements described below, provide 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.

The Group has entered into lease financing arrangements which have a total value of £202.2 million as at 3 October 2015. 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 to 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 £1,043 million at 3 October 2015 is broadly in line with last year. Operating cash flow of £162.3 million was 27% above last year due to the improved profit performance and working capital management.

For the period ended 3 October 2015 the ratio of net debt before lease financing to underlying EBITDA was 5.1 times (2014: 5.4 times). Net debt to EBITDA is expected to reduce over time principally through EBITDA growth generated from our new-build investment programme and as our long-term debt amortises. We have significant flexibility in our financing options, including the selective use of sale and leaseback where appropriate, without compromising our preference for an estate of which more than 90% is freehold.

PERFORMANCE AND FINANCIAL REVIEW
CONTINUED

PENSIONS

Our final salary pension scheme at the year end showed a surplus of £15.0 million before tax (2014: £7.8 million). This position reflects the consistent manner in which the Group has managed its deficit over the last five years, and the closure of the final salary scheme to future accrual from 30 September 2014. We have concluded our triennial valuation as at 30 September 2014, which has resulted in a reduction of cash contributions to c.£8 million per annum going forward.

TAXATION

The underlying rate of taxation of 19.3% in 2015 is below the standard rate of corporation tax of 20.5% primarily due to credits in respect of deferred tax on property.

The underlying tax rate has decreased by 0.3% from 19.6% in 2014.

NON-UNDERLYING ITEMS

There is a net non-underlying charge of £50.5 million after tax. This primarily reflects the external estate valuation undertaken in the period, which resulted in a £39.0 million charge to the income statement. A net revaluation increase of £95.9 million has also been recognised in the revaluation reserve in respect of property revaluations undertaken in the period. Other non-underlying items comprise a £2.5 million charge relating to non-core estate disposal and reorganisation costs, a £2.6 million loss in respect of the ongoing management of the pubs from the prior year portfolio disposal, a £4.9 million charge in respect of the change in the inflation and discount rate assumptions used in calculating our onerous lease provisions, a £2.6 million charge in respect of relocation, reorganisation and integration costs and an £8.6 million loss in respect of the mark-to-market movement in the fair value of certain interest rate swaps. These charges are offset by a credit of £9.7 million relating to the tax on non-underlying items.

STRATEGIC REPORT APPROVAL

The Strategic Report, outlined on pages 1 to 26, incorporates A Snapshot of 2015, The Place to Be, Chairman's Statement, Chief Executive's Statement, Market Overview, Our Business Model, A Clear Strategy, Our Strategic Pillars in Action, Measuring Our Progress (KPIs), Operating Review, Risks and Risk Management, Principal Risks and Uncertainties and Performance and Financial Review.

By order of the Board

Ralph Findlay
Chief Executive Officer
26 November 2015

IN THIS SECTION

GOVERNANCE

MARSTON'S

THE NUMBER 1 PREMIUM BOTTLED ALE BREWER

CORPORATE GOVERNANCE REPORT
CHAIRMAN'S INTRODUCTION

WE BELIEVE THAT HIGH STANDARDS OF GOVERNANCE ARE AN ESSENTIAL UNDERPIN TO SUSTAINABLE GROWTH AND THE PROTECTION OF SHAREHOLDER VALUE

DEAR SHAREHOLDER

I am pleased to present the Board's annual report on corporate governance. At Marston's we are continually striving to help our people and our business develop and go from strength to strength. We strongly believe that high standards of corporate governance are an essential underpin to sustainable growth and the protection of shareholder value. This review, together with the reports of the Nomination, Audit and Remuneration Committees, provides an overview of our corporate governance practices and summarises our activities in this area during the period.

BOARD EFFECTIVENESS

The Board is keen to review and further develop its effectiveness to support the Company in its ambitions. Details of the outcomes from this year's Board evaluation together with progress against last year's action points are given on page 33. Details of each Director's experience and how that contributes to the effectiveness of the Board and the Company are set out on pages 30 to 31.

BOARD AND COMMITTEE APPOINTMENTS

As previously reported, Catherine Glickman joined the Board (and the Remuneration Committee) on 1 December 2014 and Rosalind Cuschieri retired from the Board following the 2015 AGM. Catherine Glickman and Carolyn Bradley also joined the Nomination Committee during the year. Further details on the Board's composition are given on page 33.

REMUNERATION

The Remuneration Committee has continued to focus on strengthening and clarifying the link between rewards and performance. The Committee has also reviewed the requirements relating to clawback provisions and updated the 2014 LTIP and deferred bonus rules to incorporate this provision to ensure that they remain in line with best practice. The Remuneration Committee's report is on pages 39 to 57.

AUDIT

The focus of the Audit Committee during the year has been on the new requirements of the 2014 UK Corporate Governance Code (the '2014 Code'), the evaluation of the internal audit function conducted by PricewaterhouseCoopers, and the commencement of the new internal audit co-source provision by Grant Thornton. More details are in the Audit Committee Report on pages 36 to 37.

STATEMENT OF COMPLIANCE

The 2014 Code has applied to the Company during the reporting period under review. I am pleased to confirm that the Board considers it has fully complied with the main principles of the Code. The Code is available on the Financial Reporting Council's website **www.frc.org.uk**

Roger Devlin
Chairman
26 November 2015

1 Leadership – See page 29
2 Effectiveness – See page 33
3 Accountability – See page 34
4 Remuneration – See page 39
5 Shareholder Relations – See page 35

1. LEADERSHIP AND THE BOARD OF DIRECTORS

ROLE OF THE BOARD

The Board is collectively responsible to shareholders for the long-term success of the Company. A schedule of matters specifically reserved for the Board's decision has been approved and this schedule includes matters relating to: strategy, major capital expenditure, acquisitions and disposals, capital structure and financial results, internal controls, governance and risk management, committee membership and terms of reference. The schedule was last reviewed in September 2015 and the latest version is available on our website. The Board met nine times during the year, allowing sufficient opportunities to effectively challenge and monitor the Company's progress against its strategic aims and within the risk management framework.

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.

SENIOR INDEPENDENT DIRECTOR

Neil Goulden is the Senior Independent Director and acts as a 'sounding board' for the Chairman and as an intermediary for the other Directors. He is available to shareholders if they have concerns which the normal channels have failed to resolve or for which such contact would be inappropriate. Neil also leads the Non-executive Directors in their annual assessment of the Chairman's performance.

GROUP SECRETARY

Anne-Marie Brennan is responsible for 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.

NON-EXECUTIVE DIRECTORS

Non-executive Directors are encouraged to spend time in the business, accompanying the Executive Directors and other senior managers on visits to a range of pubs, customers and brewery outlets during the year. Together with their diverse range of business experience outside of the Company, this enables the Non-executive Directors to constructively challenge proposals on strategy and contribute to the development of strategy in the long term.

The Chairman meets with the Non-executive Directors at least annually without the Executive Directors being present.

More information about our Board and the relevant experience they bring to the business is set out on the following pages.

CHAIRMAN

Roger Devlin is responsible for:

- The operation, leadership and governance of the Board.
- Ensuring the effectiveness of the Board.
- Setting the agenda, style and tone of Board discussions with a particular focus on strategic matters.
- Ensuring each Non-executive Director makes an effective contribution to the Board through debate and discussion with the Executive Directors.
- Ensuring through the Group Secretary that the Directors receive accurate, timely and clear information.

CHIEF EXECUTIVE OFFICER

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.

CORPORATE GOVERNANCE REPORT CONTINUED
BOARD OF DIRECTORS

Chairman

Roger Devlin
Chairman

Board Committees
N*

Independent
Yes

Length of service
2 years 1 month

Other appointments
- Chairman of SIS and Porthaven Nursing Homes
- Independent Non-executive Director of the Football Association

Past experience
- Non-executive Director of National Express and RPS Group

Executive Directors

Ralph Findlay
Chief Executive Officer (CEO)

Board Committees
N

Independent
No

Length of service
19 years

- Appointed to the Board as Finance Director in 1996 becoming CEO in 2001
- Qualified Chartered Accountant and Treasurer

Other appointments
- Chair of Council and Pro Chancellor at Keele University
- Non-executive Director and Chair of Audit Committee at Bovis Homes Group PLC

Past experience
- Roles held at Geest Plc and Bass Plc

Andrew Andrea
Chief Financial Officer (CFO)

Board Committees
–

Independent
No

Length of service
6 years 6 months

- Joined the Company in 2002
- Qualified Chartered Accountant

Past experience
- Roles held at Guinness Brewing Worldwide and Bass Brewers Limited

Peter Dalzell
Managing Director Marston's Inns and Taverns

Board Committees
–

Independent
No

Length of service
3 years

- Joined the Company in 1995
- Chairman of MIT Charitable Trust

Past experience
- Operations Director for Marston's Inns and Taverns

Senior Independent Director

Neil Goulden
Senior Independent Director

Board Committees
A N R*

Independent
Yes

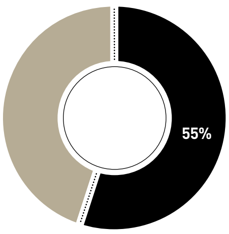
Length of service
7 years 6 months

Other appointments
- Chairman of The Responsible Gambling Trust
- Chairman of Affinity Sutton (Housing) Group

Past experience
- Member of The Low Pay Commission
- Roles at Gala Coral Group, Compass Group Plc and Chef & Brewer

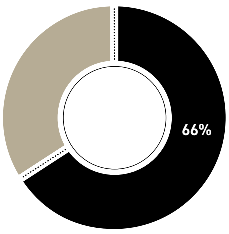
SKILLS DIRECTLY RELEVANT TO OUR BUSINESS MODEL

BEER



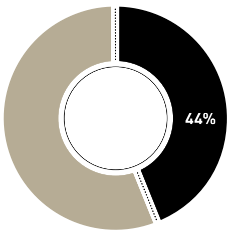
55% OF OUR BOARD HAVE EXPERIENCE IN BEER BUSINESSES

PUBS



66% OF OUR BOARD HAVE PUBS AND BAR EXPERIENCE

ROOMS



44% OF OUR BOARD HAVE EXPERIENCE IN HOTELS AND LODGES

(A) Audit Committee
(N) Nomination Committee
(R) Remuneration Committee
(*) Denotes Committee Chairman

Non-executive Directors

Group Secretary

Nick Backhouse
Non-executive Director

Board Committees
A* N

Independent
Yes

Length of service
3 years 8 months

Other appointments
- Senior Independent Director of Guardian Media Group plc
- Fellow of the Institute of Chartered Accountants

Past experience
- Senior management positions in the pub, leisure and financial sectors

Carolyn Bradley
Non-executive Director

Board Committees
N

Independent
Yes

Length of service
1 year

Other appointments
- Non-executive Director at Legal and General Group Plc
- Director of The Mentoring Foundation

Past experience
- UK Marketing Director at Tesco
- Trustee of the DrinkAware Trust

Catherine Glickman
Non-executive Director

Board Committees
N R

Independent
Yes

Length of service
10 months

Other appointments
- Group HR Director of Genus Plc
- Member of the Institute of Personnel and Development

Past experience
- Group HR Director at Tesco

Robin Rowland
Non-executive Director

Board Committees
A N R

Independent
Yes

Length of service
5 years 1 month

Other appointments
- Executive Chairman of YO! Sushi Limited
- Non-executive Director at Caffè Nero Group Limited and 'Tortilla'

Past experience
- Roles held at Restaurant Group Plc and Scottish & Newcastle Plc

Anne-Marie Brennan
Group Secretary

Length of service
11 years

- Qualified Chartered Secretary and Chartered Accountant

OTHER RELEVANT EXPERIENCE

FOOD	RETAIL	LEISURE
88% of our Board	88% of our Board	66% of our Board

PLC	OPERATIONAL	FINANCE
66% of our Board	55% of our Board	44% of our Board

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD AGENDA AND ACTIVITIES DURING THE YEAR

The Board has a forward agenda of scheduled matters for consideration to ensure sufficient time is devoted to key business matters at the appropriate time. The agenda itself is reviewed on a regular basis and the agenda for each meeting, agreed between the Chairman and the CEO, is sufficiently flexible to accommodate the addition of any specific matters as required.

Board papers are circulated in advance of each Board or Committee meeting to ensure that Directors have sufficient time to review them before the meeting. Standing items and regular reports cover the Group's financial position, risk management and regulatory compliance. Updates on activities across each operating division and performance against targets are reported to the Board in a monthly summary of key business operations. Items considered during the period include:

STRATEGY	CUSTOMER FOCUS AND BUSINESS OPERATIONS	LEADERSHIP AND PEOPLE DEVELOPMENT	GOVERNANCE	SHAREHOLDER FOCUS
Annual strategy day	Warehouse investment	Board and other key personnel succession	Board evaluation report	Review of results announcements
Annual plan	Major food and drink supplier proposals	People strategy - objectives, progress and plan	Terms of reference and membership for all committees	Dividend proposals
Property update and further investment in rooms	Beer company – innovation	Employee engagement survey 2014 results	Fair, balanced and understandable review of Annual Report and Accounts	Going concern and viability statement review
IT strategy	Health and safety review		Group risks and risk management	AGM preparation
Financing proposals	Corporate and social responsibility		Assessment of key business and financial controls	Shareholder feedback
Pubs branding developments	Annual insurance renewal		Regulatory and statutory compliance	
Acquisition of Thwaites' beer business	Developments in the Leased estate		Pensions triennial valuation and scheme accounts	
	Consumer insight			

BOARD AND COMMITTEE MEETING ATTENDANCE

We operate 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. Reports from each Committee can be found on pages 36 to 57. The table below shows each Director's attendance throughout the year:

Name	Board	Nomination	Audit	Remuneration
Andrew Andrea	9/9	–	–	–
Nick Backhouse	9/9	5/5	3/3	–
Carolyn Bradley	9/9	4/4	–	–
Rosalind Cuschieri[1]	4/4	–	1/1	2/2
Peter Dalzell	9/9	–	–	–
Roger Devlin	9/9	5/5	–	–
Ralph Findlay	9/9	3/5	–	–
Catherine Glickman[2]	6/7	3/4	–	3/3
Neil Goulden	9/9	5/5	2/3	5/5
Robin Rowland	9/9	5/5	3/3	5/5

[1] Rosalind Cuschieri retired from the Board on 27 January 2015.

[2] Catherine Glickman was appointed to the Board on 1 December 2014.

2015 STRATEGY DAY – ON THE AGENDA

In addition to regular strategic discussions, the Board holds an annual strategy day offsite. This enables the Board to conduct an in-depth review of strategy and its implementation. Presentations were received from a number of senior managers enabling Non-executive Directors to engage, challenge, discuss and debate with those in attendance. The agenda for the Strategy Day is set out below.

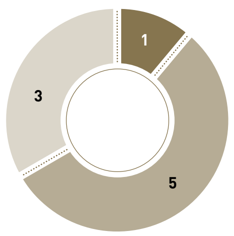
- Market sentiment and strategic alternatives
- People strategy
- Marketing strategy update
- Existing strategy and five year financial plan

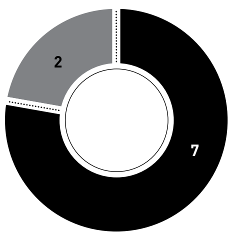
2. EFFECTIVENESS

BOARD COMPOSITION

At the date of this report, our Board comprised nine Directors. In addition to the Chairman, Roger Devlin, there are five Non-executive Directors and three Executive Directors. The two most recent appointments to the Board, Carolyn Bradley (1 October 2014) and Catherine Glickman (1 December 2014) have brought with them further diversity to the relevant skills and experience of the Board. The Nomination Committee continues to review Board succession, exploring where additional skills and experience could enhance the effectiveness of the Board. Catherine Glickman joined the Remuneration Committee upon her appointment and, during the year, both Carolyn and Catherine joined the Nomination Committee. Rosalind Cuschieri retired from the Board in January 2015.

We consider all of our Non-executive Directors (NEDs) to be independent and the charts below portray the balance of the Board as at the date of this report.





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. During the year Ralph Findlay was appointed as a Non-executive Director of Bovis Homes Group PLC and Chairman of their Audit Committee. The role was discussed with the Board and authorisation was sought prior to Ralph's acceptance of the position.

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.

EVALUATION

This year's annual Board evaluation was carried out internally, with the next external evaluation due in 2016. 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. The last externally facilitated evaluation was carried out in 2013.

The evaluation comprised a questionnaire designed to consider the effectiveness of the Board and its Committees by examining the skills, experience and diversity appropriate for the business; how the Board operates and its remit; and where it might improve. The Chairman held individual meetings with each Director and the Group Secretary, and the Senior Independent Director led a meeting of the Non-executive Directors to consider and evaluate the performance of the Chairman. After reviewing the outcomes of the evaluation process the Chairman prepared a summary report that was discussed by the Board. Agreed action points, together with an update on progress against the action points from the 2013/14 evaluation are shown below.

2014 BOARD EVALUATION SUMMARY RECOMMENDATIONS	PROGRESS ACHIEVED	SUMMARY OF KEY ACTIONS AGREED FOLLOWING 2015 REVIEW
• Specific topics identified for future presentations. • Strengthen process of providing updates on output of previously received presentations and proposals. • Increase number of site visits.	• Board received presentation outlining new People Strategy. Update on progress against key milestones scheduled for forthcoming Board meeting. • Presentation on market and consumer backdrop and Company's marketing response. Each key area of focus has timeline and key measures of success to enable progress to be tracked. • Updates on progress and output following presentations and proposals now scheduled on forward agenda to give Board line of sight. • Two meetings held at managed houses. NEDs have visited other outlets with senior managers.	• More NED attendance at divisional executive meetings. • Use of informal meetings for NEDs outside the Board timetable. • Extended duration of the Strategy Day. • Future presentation and discussion topics on forward agenda include: IT investment, pricing, rooms and lodges, senior management succession plans. • More shareholder and other stakeholder feedback through presentations from advisers, brokers and Auditors. • Designated mentoring of Executive Directors, to support focus on delivery of KPIs.

CORPORATE GOVERNANCE REPORT CONTINUED

TRAINING AND DEVELOPMENT

The Chairman takes responsibility for ensuring that Directors continually update their skills, knowledge and familiarity with the Company and he conducted development reviews with each Director as part of the Board evaluation exercise. Where specific training needs were identified these have been incorporated into the Board agenda for 2015/16 and personal development plans. The Company provides the resources to meet development requirements for individual Directors as and when required and it will continue to review development initiatives for Directors. An example during the year was the tailored Competition Law refresher training completed by each individual Director (along with other key personnel).

Induction programmes are tailored for each individual Director when joining the Board. Catherine Glickman's comprehensive induction programme included scheduled meetings with key HR personnel, an introduction to the Company's financing structure and a comprehensive information pack. The information pack covers relevant statutory and regulatory guidance notes including, for example, the UK Corporate Governance Code, the Company's Share Dealing Policy and guidance on Directors' duties, together with internal Company policies, structure charts, matters reserved for the Board and Committee terms of reference. As part of her induction Catherine spent time with each divisional Managing Director to better understand their area of operations. This included visits to a number of pubs and a detailed tour around one of the breweries. Catherine also met with the Company's financial advisers, brokers and Auditors during the year.

Board meetings were held at a variety of locations during the year including a newly refurbished managed house, a customer and a supplier and the Company's financial PR advisers. The remaining Board meetings were held in Wolverhampton. Individually, the Non-executive Directors also spent time with senior managers visiting managed and tenanted pubs and attending divisional executive meetings. Non-executive Directors also meet with their operational counterparts to provide support and counsel. Non-executive Directors are encouraged to engage with employees across the business to enhance their knowledge and understanding of the business.

The Group Secretary advises the Board 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.

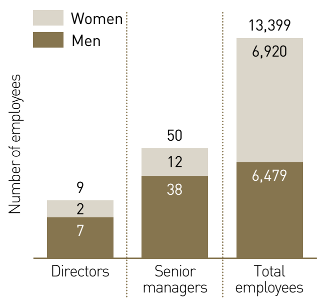
RE-ELECTION OF DIRECTORS

All Directors offer themselves for re-election at each Annual General Meeting (AGM). Details of each Director serving on the Board at the date of this Report are set out on pages 30 to 31 and shall be set out to shareholders in the papers accompanying the re-election resolutions for the AGM. 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.

DIVERSITY POLICY

The Board, through the CEO, takes overall responsibility for diversity and equality below Board level. Through our business we cater for the preferences of many different consumer and customer types and therefore it is essential that we consider diversity when making decisions. Our Ways of Working are shared throughout Marston's: we recruit the best people, invest in our people and put people first – whether that's the Marston's team, our customers or our suppliers. We make sure we do the right thing. We have a Whistleblowing Policy intended to ensure that concerns can be raised without adverse effect on the individual's career and development at Marston's. Further details of Marston's approach to diversity and succession planning can be found on the website at **www.marstons.co.uk**

Gender diversity



Number of employees at 3 October 2015

3. ACCOUNTABILITY

FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

In accordance with the 2014 Code's requirement that the Board should consider whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable, comprehensive reviews are undertaken at regular intervals throughout the year-end process by senior management. The preparation of this document is coordinated by the Secretariat team with significant input from the Finance team and Group-wide support from other contributing personnel. The Board receive drafts of the Annual Report and Accounts to allow sufficient time to review and provide an opportunity for challenge and discussion, ahead of approving the final documents. In addition, the external Auditors review the consistency between the narrative reporting and financial disclosures.

COMPLIANCE

Marston's Compliance Committee monitors all areas of legal compliance across the Group. 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.

RISKS AND INTERNAL CONTROLS

Information on the Group's risk management framework, systems and internal controls are set out in the Strategic Report on pages 20 to 23.

4. REMUNERATION

Information on the Remuneration Committee, its membership and activities is given in the Directors' Remuneration Report on pages 39 to 57. The report includes the current Directors' Remuneration Policy as approved by shareholders at the 2014 AGM. The report also includes the Annual Report on Remuneration and this is subject to an advisory vote at the 2016 AGM.

5. 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 Group and in the Board's ability to oversee its implementation.

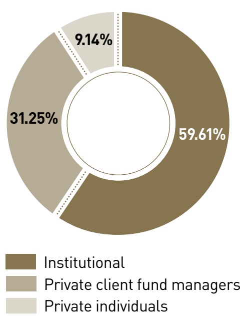
The Executive Directors manage an investor relations programme involving institutional shareholders, fund managers and analysts. The CEO and CFO meet with private client fund managers in a number of locations on a quarterly basis. Within the constraints of information already made publicly available, matters discussed at these meetings include strategy, performance, management and governance.

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. Additionally, the Chairman and Senior Independent Director make themselves available for meetings with the Company's major institutional investors.

The Group Secretary oversees communication with private individual shareholders on behalf of the Board. The Company's website is available to all shareholders and provides share price information, results presentations and announcements, financial calendars and general information on the business. The Annual Report and Accounts is a key communication tool providing a comprehensive review of the business, details of our governance arrangements and annual results.

The AGM provides all shareholders with the opportunity to communicate directly with the Board of Directors. The CEO presents an update on recent trading performance and developments in the business prior to the formal business of the meeting. Shareholders are able to ask questions during the meeting, which is followed by an opportunity to meet with the Directors and senior managers of the business on an informal basis. The senior management team attend the AGM and meet with shareholders before and after the meeting. All of our Directors attend and the Chairman of the Board and each Committee are available to answer shareholder questions during the formal business of the meeting. The voting on all resolutions at the AGM is conducted by way of a poll. This is to allow all shareholders, present in person, by proxy or unable to attend, to vote on all resolutions in proportion to their shareholding. 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/corporate** and announce them through an Regulatory News Service. Details of the 2016 AGM are set out in the separate Notice of Meeting.

Analysis of shareholder register by investor type



SHAREHOLDER ENGAGEMENT SUMMARY: KEY COMMUNICATIONS CHANNELS

INSTITUTIONAL SHAREHOLDERS AND ANALYSTS	PRIVATE CLIENT FUND MANAGERS	PRIVATE SHAREHOLDERS
• Rolling investor relations programme • Bi-annual written feedback received • Chairman and Senior Independent Director available to meet with largest shareholders	• Quarterly meeting with CEO and CFO	• Annual General Meeting with full Board and senior management present • Annual Report and Accounts and website • Group Secretary oversees communication on behalf of the Board

AUDIT COMMITTEE REPORT

DEAR SHAREHOLDER

I am pleased to present the Audit Committee Report for the period ended 3 October 2015.

Each member of the Committee, all independent Non-executive Directors, contributes their own financial and business experience to effectively assess the external and internal audits of the Company and the internal control and risk management systems. Both Neil Goulden and I are considered by the Board to meet the requirements of the Code as having recent and relevant financial experience. The Committee members challenge and debate the reports, statements and findings presented to them.

A key focus for the Committee this year has been the new requirements of the 2014 Code that now apply to the Company, particularly the process by which the Directors are able to confirm they have carried out a robust assessment of the principal risks facing the Company and consideration of the period over which the viability statement will apply. The Committee has reviewed the assurance process and the risk management framework to ensure that it remains appropriate and does provide a robust assessment of those principal risks. See pages 20 to 23 for more details.

The Committee has also considered and discussed a report undertaken by PwC evaluating the internal audit function. The output from those discussions is a reassurance of the quality of the function currently provided and a programme to further develop the internal audit plan, succession planning and the allocation of additional resource. Mindful of increasing responsibilities, the Committee has also reviewed its own meeting agenda to ensure it is allowing sufficient time to focus on the issues within its remit and extended the time allocated as appropriate.

Having reviewed the external audit process, the Committee believes that PwC continue to provide an effective audit service and recommends their re-appointment to shareholders. As previously reported, the audit partner is next due to rotate after the 2017 reporting period and the Company will conduct a full tender of the external audit at that time. The Committee will review and agree a timetable for the tender process during the coming financial year.

Nick Backhouse
Chairman of the Audit Committee

MEMBERSHIP	RESPONSIBILITIES
Nick Backhouse Rosalind Cuschieri (until 27 January 2015) Neil Goulden Robin Rowland	• Reviewing the integrity of the Group'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 Group'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 and the terms of engagement. • Reviewing and monitoring the external Auditors' objectivity and independence and the effectiveness of the audit process.

ATTENDEES	TERMS OF REFERENCE
The Corporate Risk Director and external Auditors attend each meeting. Other individuals, such as the CEO and CFO are usually invited to attend all or part of the Committee's meetings.	Full terms of reference of the Committee can be found in the Investors section of the Company's website **www.marstons.co.uk**

AUDITORS
In assessing the work of the external Auditors, the Committee was satisfied with the scope of their work and their effectiveness, and recommended their re-appointment to the Board. The Committee has satisfied itself that the independence and objectivity of the external Auditors, and the safeguards to protect it, remain strong noting the following:

- 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 Committee accepts that some non-audit work is most appropriately undertaken by the external Auditors. The Committee's terms of reference set out what is permissible and 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 is given to the need for value for money, experience and objectivity required in the particular circumstances.
- The audit partner is changed at least once every five years and a new partner was appointed during the 2012/13 financial reporting period. The audit partner is next due to rotate after the 2016/17 financial year when a formal tender will be conducted. Given the length of their tenure, PwC will not be invited to tender at that time.

Fees paid to the external Auditors are disclosed in Note 3 of the Financial Statements on page 83

KEY ACTIVITIES DURING THE REPORTING YEAR

- Considering the implications of the new requirements introduced in the 2014 Code.
- Reviewing the main corporate risks and the outcomes from testing the systems and processes for managing and mitigating those risks. The Committee has satisfied itself that the Risk Management Framework provides sufficient assurances.
- Drafting a viability statement that assesses the prospects of the Group over an appropriate period. The Committee considered that the Group's existing five year financial planning horizon makes that time period most appropriate.
- Assessing the evaluation of the Internal Audit function that found the overall function to be sound and efficient but identified opportunities for improvement through better use of technology, audit plan development and succession planning. An action plan and timeline for implementing improvements has been agreed with the Corporate Risk Director. The Committee will track progress over the coming reporting period.

The Corporate Risk Director attends each Committee meeting providing ongoing assurance and regular updates on the Group's main risks and the scope and findings of internal audit. As part of its remit, 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 also attend each meeting. The external Auditors also present their audit strategy, findings and conclusions in respect of the Annual Report and Accounts and Interim Results. In addition, at least once a year, the external Auditors meet the Committee without any Executive Director present to provide an opportunity for open dialogue and feedback.

The Committee also reviewed a number of standing items including the 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 in particular the accounting for and disclosure of the following key matters:

- Estate revaluation. The Committee considered the results of the external valuation of the Group's entire property portfolio undertaken during the year. The Committee challenged the valuation methodologies adopted and assumptions used, considering external trends and the performance of the properties, and concluded that the valuation was appropriate.
- Non-underlying items. The Committee reviewed management's assessment of each item disclosed as non-underlying and satisfied itself that the classification was both consistent with prior years and appropriate. In reaching this conclusion the Committee took note of the quality of earnings and, in particular, the threshold for property-related matters to be treated as non-underlying.
- Acquisition of the beer business of Daniel Thwaites PLC. The Committee reviewed management's assessment of the accounting for this acquisition, including the assumptions made in valuing the acquired beer brands. The Committee was satisfied that the methodology adopted and the judgements made were suitable.
- Uncertain tax positions. Having considered the Group's outstanding tax positions where settlement is uncertain, and having considered the risks relating to each of the various items, the Committee concurred with management's treatment and disclosure. The Committee noted that the potential benefit in respect of the majority of positions has not been recognised.

NOMINATION COMMITTEE REPORT

DEAR SHAREHOLDER

As previously reported, this year saw a number of changes to the Board and Committees. Catherine Glickman joined the Board on 1 December 2014 and Rosalind Cuschieri retired from the Board on 27 January 2015. Catherine joined the Remuneration Committee upon her appointment and both Carolyn Bradley and Catherine were appointed to the Nomination Committee with effect from 8 May 2015.

DIVERSITY POLICY

Our approach remains the same: we take note of the guidance provided and we require any search agency to have signed up to their industry's Voluntary Code of Conduct addressing gender diversity. We have not set a specific target for numbers of female Directors and we will continue to make appointments on the basis of merit. However, we recognise the benefits that greater diversity can bring and take into account such factors when considering any particular appointment. Currently, two of Marston's nine Board members are female.

RE-ELECTION AND EVALUATION

The Committee considered the time required from each Non-executive Director, their effectiveness and the experience brought to the Board. Neil Goulden's breadth of experience in the pubs, food and leisure sectors together with his involvement in areas relevant to our corporate responsibilities make his continuing role as a Non-executive Director invaluable. Mindful that an effective Board should be a balance between preserving some continuity of challenge with the introduction of some fresh thinking, the Committee consider Neil's tenure on the Board to strengthen his effectiveness as the Senior Independent Director. Looking ahead, Neil has stated that he will step down from the Board after the 2017 AGM.

Finally, the Committee considered its own effectiveness. This provided a formal opportunity to review the way we operate and our strategy for discharging those duties. The Committee was satisfied that it continues to perform its duties in accordance with its terms of reference.

Having discussed the personal effectiveness and commitment with each Director in individual meetings as part of this year's Board evaluation, I have concluded that the performance of each Board member continues to be effective and I therefore recommend the re-election of each Director to shareholders at the 2016 Annual General Meeting.

Roger Devlin
Chairman of the Nomination Committee

MEMBERSHIP

- Roger Devlin (Chairman)
- Ralph Findlay
- Nick Backhouse
- Carolyn Bradley
- Rosalind Cuschieri (until 27 January 2015)
- Neil Goulden
- Catherine Glickman
- Robin Rowland

RESPONSIBILITIES

- 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 managers.
- 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.

KEY ACTIVITIES DURING THE REPORTING YEAR

- Understanding the leadership needs of the business, succession planning, the process for this year's Board evaluation and the contribution and tenure of each Director.
- Considering future succession planning and executive development needs to ensure delivery of operational performance in line with the Company's strategy.
- Ahead of this year's internal evaluation process, the Committee met to consider the most effective method for the review of the Board, its Committees and individual contribution of each Director.
- Reviewing the membership of the Board and each of its Committees by way of a self-assessment skills matrix of core competencies. We developed the matrix to identify the strengths and balance of skills and experience within the Board and any gaps in desirable skills when looking to future appointments.

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE CHAIRMAN – ANNUAL STATEMENT

DEAR SHAREHOLDER

On behalf of the Board, I am pleased to present the Remuneration Report for the period ended 3 October 2015, which details the amounts earned in respect of that period and sets out the Remuneration Policy for the Directors of Marston's. The Committee met five times during the period and details of the Committee membership is shown overleaf.

PERFORMANCE

Our Executive Directors have delivered a strong set of results aligned with our strategy. Underlying profit before tax is up 10.2% to £91.5 million and underlying earnings per share have also increased this year. Our Executive Directors and our people have made excellent progress in transforming our pub portfolio into an optimal estate and our new-build investment continues to deliver strong returns with the average profit per pub up to £100,000 and return on capital up to 10.8%.

Our KPIs and how they link to our strategy and to remuneration are set out on pages 16 to 17. The Committee believes that the alignment of Remuneration Policy with our five strategic pillars continues to incentivise and drive results that generate sustainable value creation for our shareholders. The annual bonus scheme targets profit growth and returns on our investment in the business, through CROCCE and Group profit measures. The LTIP incentivises over the longer term through sustainable growth in: earnings per share (EPS) and return on investment, both drivers of shareholder value measured by relative Total Shareholder Return (TSR); and free cash flow, which enables continued investment in the business and debt servicing.

2014/15 KEY DECISIONS AND INCENTIVE PAY-OUTS

Average base salary increases awarded to the Executive Directors in 2015 were circa 2%, in line with average salary increases across the Group. Peter Dalzell was awarded an additional 3.5% increase in base salary to reflect his span of responsibilities for the entire pub estate, to align his salary with the other Executive Directors and the market, and recognise his contribution to the long-term success of the Company.

Marston's underlying profit before tax increased by 10.2% for the year and return on capital exceeded target. The Executive Directors will receive 40% of their maximum annual bonus entitlements. On a straight-line vesting basis a bonus level of 45% would have been payable but, taking into account the affordability of bonus payments across the Group, and to reaffirm their commitment to a responsible approach to executive pay, the Committee exercised restraint and awarded bonuses of 40% of salary.

The 2012 LTIP award vested at 41.9%, as a result of EPS growth from 2012 to 2014. Further details are set out on page 43. The Committee has discretion to withhold or reduce awards (but not to increase them) and, when reviewing the outturn of an award, has regard to the financial performance of the business for the financial period in which the award vests. For the 2012 award the Committee has taken into account a further 12 months of performance to provide additional assurance that the vesting of the award is appropriate.

DIRECTORS' REMUNERATION REPORT CONTINUED

The 2014 edition of the UK Corporate Governance Code applies to the Company for the period ended 3 October 2015. We committed last year to review the requirements relating to clawback provisions for variable pay. Being mindful of emerging practice in this area we have amended the rules of the 2014 LTIP and the deferred bonus plan so that clawback provisions apply to the LTIP and annual bonus awards for 2014/15 and subsequent years. Details of these provisions are provided on page 44.

SHAREHOLDER ENGAGEMENT

I am pleased to report on the consistently strong level of support and engagement from shareholders. This is evidenced by the voting outcomes at the 2015 Annual General Meeting. We were delighted that the resolution seeking approval of the Annual Report on Remuneration was supported by over 99% of the votes cast. We would welcome your feedback on this year's report. If you wish to contact me please email: **remunerationchair@marstons.co.uk**. We will continue to engage with our major shareholders as the Remuneration Policy is reviewed and developed over the next year and beyond.

Neil Goulden
Chairman of the Remuneration Committee

MEMBERSHIP	RESPONSIBILITIES
Neil Goulden (Chairman) Rosalind Cuschieri (until 27 January 2015) Catherine Glickman (from 1 December 2014) Robin Rowland	• 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. • Noting any major changes in employee benefit structures throughout the Group and ensuring that Executive Director remuneration practice is consistent with any such changes.
ATTENDEES	**TERMS OF REFERENCE**
Ralph Findlay The Group People Director and external advisers may be invited to attend meetings.	Full terms of reference of the Committee can be found in the Investors section of the Company's website **www.marstons.co.uk**

FOCUS FOR 2015/16

- Continue to review variable pay and associated performance metrics. Ensure they remain challenging and aligned with the Company's strategy and interests of our shareholders and other stakeholders.
- Review of current Remuneration Policy for next shareholder binding vote at the 2017 AGM. This policy will not take effect until the start of the 2017/18 financial year.
- The Committee remains committed to a responsible approach to executive pay. Executive pay decisions (including salary, bonus and long-term incentives) are considered in the context of wider all-employee salary and benefits reviews as well as the Group's performance.

Notes
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 2014 UK Corporate Governance Code (the 2014 Code) and the Financial Conduct Authority Listing Rules.

To reflect the requirements of the current remuneration reporting regulations this Report is presented in two sections:
- 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 ended 1 October 2016; and
- the Directors' Remuneration Policy sets out the current Remuneration Policy as approved by shareholders at the 2014 Annual General Meeting.

REMUNERATION SUMMARY 2015

OUR DIRECTORS' REMUNERATION POLICY AND REPORT AT A GLANCE

REMUNERATION ELEMENT AND KEY MECHANICS	KEY FACTORS/ METRICS	OPPORTUNITY	OUTCOME IN 2014	OUTCOME IN 2015
Base salary and benefits • Salary reviewed annually • Competitive benefits package in line with market practice	• Wider workforce • Role and experience • External benchmarks • Market practice • Recruit and retain	• Salaries reviewed in context of wider Group • Increase in scope and responsibility	• Average 2.5% increase • Benefits package unchanged	• 2% increase • Additional 3.5% increase for Peter Dalzell to recognise his responsibilities and contribution
Annual bonus and deferred bonus plan • Targets set annually • Committee has discretion to determine pay-out against overall business performance	• Two-thirds is based on Group profit • One-third is linked to return on capital	• Maximum 100% of salary	• 25% bonus awarded • Committee reduced award in context of current economic conditions	• 40% bonus awarded • Committee reduced award to reflect the affordability of bonuses
Long-term incentive plan • Approved by shareholders • Malus and clawback provisions	• EPS* • CROCCE • Free cash flow • Relative TSR	• Normal maximum awards up to 125% of base salary • Exceptional maximum awards up to 200%	• 2011 LTIP vested at 44.2%	• 2012 LTIP vested at 41.9%

* EPS applies to 2012 and 2013 LTIP awards only

HOW WE PERFORMED AGAINST OUR 2014/15 OBJECTIVES

ANNUAL BONUS PLAN

Group profit target	Group profit actual	Target return on capital	Actual return on capital
£93.0m	£91.5m	10.6%	10.8%

Executive Director bonus 40% awarded	£
Andrew Andrea	130,000
Peter Dalzell	115,600
Ralph Findlay	208,400

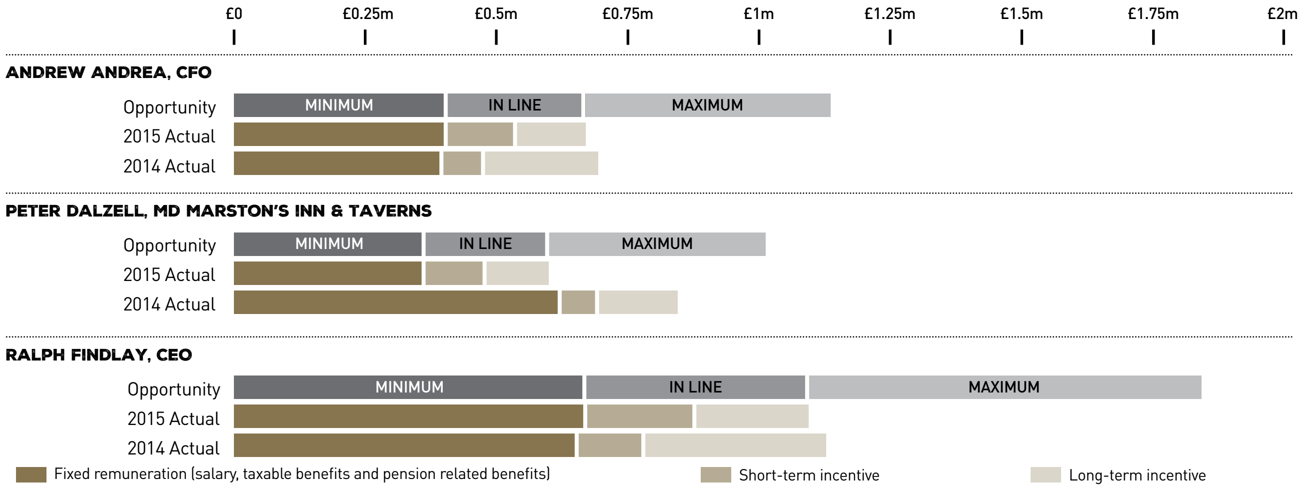
2012 LTIP

EPS target	EPS actual	% vested
9.3% – 29.5%	11.4%	41.9%

2012 Awards	Granted	Vested	Value £
Andrew Andrea	314,960	131,968	213,128
Peter Dalzell	220,472	92,377	149,189
Ralph Findlay	503,937	211,149	341,006

MAXIMUM TOTAL REMUNERATION OPPORTUNITY AND TOTAL REMUNERATION RECEIVED IN 2015

The chart below sets out the total remuneration received for the period ended 3 October 2015 for each Executive Director, prepared on the same basis as the single total figure of remuneration table set out on page 42. For comparison purposes, the chart provides an indication of minimum, in line with expectations and maximum total remuneration opportunity, prepared on the same basis and in line with the current Remuneration Policy.



DIRECTORS' REMUNERATION REPORT CONTINUED
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 expectations for Executive Directors and senior management. • Bonuses earned in excess of 40% of the maximum opportunity are 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 Sharesave As You Earn (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 being 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 2015/16.

SINGLE TOTAL FIGURE OF REMUNERATION (EXECUTIVE DIRECTORS)

The table below reports the total remuneration receivable in respect of qualifying services by each Executive Director during the period. Details of the figures in the table are provided opposite.

Period ended 3 October 2015	Total salary and fees £	Taxable benefits £	Annual bonus £	Long-term incentives £	Pension related benefits £	Total £
Andrew Andrea	325,000	14,438	130,000	135,620	65,000	670,058
Peter Dalzell	289,000	14,438	115,600	121,687	57,800	598,525
Ralph Findlay	521,000	17,138	208,400	217,256	130,250	1,094,044

Period ended 4 October 2014	Total salary and fees £	Taxable benefits £	Annual bonus £	Long-term incentives restated[1] £	Pension related benefits £	Total £
Andrew Andrea	317,000	14,438	79,250	215,665	63,425	689,778
Peter Dalzell	282,000	14,438	70,500	150,294	323,916	841,148
Ralph Findlay	508,000	17,138	127,000	342,111	127,045	1,121,294

[1] In the Directors' Remuneration Report for the period ended 4 October 2014, the long-term incentives figures for the period ended 4 October 2014 assumed that the LTIP awards granted in June 2012 would vest at 36%. The awards vested in October at 41.9% and in the above table for the period ended 4 October 2014 the long-term incentives figures have been updated to reflect that vesting. The value has been calculated by multiplying the number of shares in respect of which the awards vested by £1.615 (being the market value of a share on 23 October 2015, the date of vesting). The long-term incentives figure for the period ended 4 October 2014 also includes £2,537 for Andrew Andrea, £1,105 for Peter Dalzell and Ralph Findlay, in respect of SAYE options granted in that period, as disclosed in the Directors' Remuneration Report for the period ended 4 October 2014.

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 life assurance.
Annual bonus	The annual bonus earned in the period ended 3 October 2015. A description of Group performance against which the bonus pay-out was determined is provided on page 44. No Executive Director has elected to defer any of the bonus earned into shares.
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: The 2012 LTIP award vested at 41.9%. In the single total figure of remuneration table for the period ended 4 October 2014, the relevant value is calculated as disclosed in the footnote to that table. The original estimate disclosed in the Directors' Remuneration Report for the period ended 4 October 2014 was that 36% of the 2012 LTIP would vest. Awards vest after the end of the financial period and then only subject to the Committee being satisfied that the current underlying financial performance supports the formulaic output of the award. The best estimate at that time was that the awards would vest at 36%. In October 2015 the Committee were satisfied that the financial performance of the Group for 2014/15 supported the vesting of the awards based on EPS performance over the previous three years, at 41.9%. LTIP: The 2013 LTIP award will vest in June 2016 but the pay-out will continue to be determined by the Committee in October 2016 subject to the financial performance of the Group for 2015/16. For the purposes of the single total figure of remuneration table for the period ended 3 October 2015, it has been estimated that the 2013 LTIP will vest at 41.7%, and the value included in the table has been calculated by multiplying the number of shares in respect of which the 2013 LTIP is estimated to vest by the average share price over the last quarter of the financial period ending 3 October 2015. SAYE: For the period ended 3 October 2015, for Peter Dalzell, 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 any salary supplement in lieu of a Company pension contribution and for individuals in the Company's defined benefit pension scheme at the time of the scheme closure (30 September 2014) the 2014 figure 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 page 46.

INDIVIDUAL ELEMENTS OF REMUNERATION (EXECUTIVE DIRECTORS)

Base salary

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 2014/15, Ralph Findlay, Andrew Andrea and Peter Dalzell received an average 2.5% salary increase, which was in line with the average salary increases across the Group.

For 2015/16, the basic salary increase for Executive Directors is circa 2%, which is in line with the average salary increases across the Group. Peter Dalzell has been awarded an additional salary increase of 3.5% to reflect his span of responsibility, to align his salary with the other Executive Directors and to recognise his contribution to the long-term success of the Group. The base salaries for 2014/15 and 2015/16 are as set out below:

Name	2015/16 base salary	2014/15 base salary	Increase
Andrew Andrea	£331,000	£325,000	1.8%
Peter Dalzell	£305,000	£289,000	5.5%
Ralph Findlay	£531,000	£521,000	1.9%

During the year Ralph Findlay was appointed as a Non-executive Director of Bovis Homes Group PLC. Any fees payable in connection with the role are paid directly to, and retained by, the Company.

DIRECTORS' REMUNERATION REPORT CONTINUED

Annual bonus

With the exception of our pub managers and field-based sales 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 achieving or exceeding pre-set targets for both Group profit and return on capital.

2014/15

For 2014/15, 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. If the target is not achieved then there is a linear reduction in the bonus awarded using the prior period as a base. For Executive Directors, the bonus agreement includes three 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;
- 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; and
- A clawback provision allows the Remuneration Committee to recover any cash bonus awarded (for up to two years after payment) if certain events occur. These events include serious misconduct and a material misstatement of the Group's audited results.

The Directors consider that the future Group profit and return on capital 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 Group. However, the following table sets out the bonus pay-out to the Executive Directors for 2014/15 and Marston's target and actual Group profit and return on capital performance for the year.

	Group profit target*	Group profit actual*	Target return on capital	Actual return on capital	Executive Director bonus as a percentage of salary
2014/15	£93.0m	£91.5m	10.6%	10.8%	40%

* before non-underlying items.

2015/16

No changes are proposed in respect of the annual bonus scheme for 2015/16 with awards based on Group profit (two-thirds) and return on capital (one-third). 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 2014/15

LTIP awards granted in 2012/13 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% (9.3% over three years). For 100% of an award to vest EPS growth must exceed RPI by 9% per annum (29.5% over three years).

The extent to which the LTIP awards granted in June 2013 will vest will not be determined by the Remuneration Committee until October 2016, therefore an estimate of the level of vesting has been made. During the 2013/14 financial period the Remuneration Committee noted that the historical EPS figure would be restated to reflect the new pension accounting standard and also discussed the impact of the portfolio disposal activity on the remaining awards made under the 2004 LTIP scheme. Given the short term impact on earnings for longer-term improvements in performance it was agreed that the 2012 and 2013 LTIP awards should be measured against an adjusted EPS figure. It is estimated that the 2013 LTIP will vest at 41.7%. The awards will only vest if the prevailing performance of the Group in 2016 supports it. This decision is at the discretion of the Committee.

Awards granted during 2014/15

In respect of the period ended 3 October 2015 the following awards were granted under the 2014 LTIP:

	Type of award	Percentage of salary	Number of shares	Face value at grant[1]	% of award vesting at threshold	Performance period
Andrew Andrea	LTIP	125%	248,167	406,249	25%	Financial periods 2014/15 to 2016/17 inclusive
Peter Dalzell	LTIP	125%	220,678	361,249	25%	
Ralph Findlay	LTIP	125%	397,831	651,249	25%	

[1] The face value at grant has been calculated using the mid-market share price at date of grant of £1.637.

The performance metrics for these LTIP awards are as follows:

	% linked to award	Base	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%	10.8%	Base +0.25%	Base +0.5%	Base +1.0%
FCF	40%	£300m	Base +7.5% average growth	Base +15% average growth	Base +30% average growth
Relative TSR	20%	–	Median		Upper quintile

When considering the 2014/15 LTIP award proposals the Remuneration Committee reviewed the base numbers and performance conditions and agreed they remain challenging and so are unchanged. Each award is also subject to a further underlying financial performance condition and will only vest if, in the opinion of the Committee, the prevailing financial performance of the Group in the period of vesting supports it.

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 2016. 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 2016 will be set as a three-year cumulative amount based on the projections for 2016, 2017 and 2018. 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 Group has performed against each of the performance metrics following the end of the performance period.

DIRECTORS' REMUNERATION REPORT CONTINUED

2015/16 Awards

It is intended to make awards under the LTIP in 2015/16 based on the same performance metrics. Base numbers will be finalised and disclosed next year.

Total pension entitlements

Defined benefit schemes

The defined benefit scheme was closed to new entrants from 29 September 1997. The scheme closed to future accrual on 30 September 2014 upon which date Peter Dalzell became a deferred member. Peter Dalzell takes a salary supplement of 20% of base salary in lieu of future pension provision. Ralph Findlay became a deferred member of the Marston's PLC Pension and Life Assurance Scheme on 5 April 2012 and takes a salary supplement of 25% of base salary in lieu of future pension provision.

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

	Accrued pension at 30.09.15 £	Accrued pension at 30.09.14 £	Normal retirement age
Peter Dalzell	80,659	79,693	65
Ralph Findlay	109,969	108,655	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, if still employed by Marston's, a spouse's pension is payable equal to one-third of the member's pension for Peter Dalzell and 50% for Ralph Findlay plus a lump sum equal to the Director's contributions (including those made via salary sacrifice). On death after retirement the spouse's pension payable is 60% of the member's pre-commutation pension, for both 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 3 October 2015, the Group contribution for Andrew Andrea was £65,000, being £15,625 pension contribution and a salary supplement of £49,375.

In 2014/15, in lieu of pension contributions, Ralph Findlay received a taxable cash supplement of 25% and Peter Dalzell received a taxable cash supplement of 20%.

SINGLE TOTAL FIGURE OF REMUNERATION (CHAIRMAN AND NON-EXECUTIVE DIRECTORS)

The table below reports the total remuneration receivable in respect of qualifying services by the Chairman and each Non-executive Director during the period:

Period ended 3 October 2015	Total salary and fees £	Total £
Roger Devlin	180,000	180,000
Nick Backhouse	54,000	54,000
Carolyn Bradley	46,500	46,500
Rosalind Cuschieri[1]	15,500	15,500
Catherine Glickman[2]	38,750	38,750
Neil Goulden	59,000	59,000
Robin Rowland	46,500	46,500

[1] Rosalind Cuschieri stepped down from the Board on 27 January 2015.
[2] Catherine Glickman was appointed as a Non-executive Director on 1 December 2014.

Period ended 4 October 2014	Total salary and fees £	Total £
Roger Devlin	180,000	180,000
Nick Backhouse	48,500	48,500
Carolyn Bradley[1]	715	715
Rosalind Cuschieri	44,500	44,500
Neil Goulden	53,166	53,166
Lord Hodgson[2]	18,167	18,167
Robin Rowland	44,500	44,500

1 Carolyn Bradley was appointed as a Non-executive Director on 1 October 2014.
2 Lord Hodgson stepped down from the Board on 21 January 2014.

Fees

The Remuneration Policy for Non-executive Directors, other than the Chairman, is determined by the Board and is reviewed every two years. Fees for the Non-executive Directors were reviewed in 2013/2014 and reflect the responsibilities and duties placed upon Non-executive Directors whilst also having regard to market practice. The Chairman's fee was set on his appointment to the Board in September 2013 and was reviewed by the Remuneration Committee this year. The increase of 4.2% is in line with average pay awards within the Group over the last two years. 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.

Chairman	2015/16	2014/15
Fee	£187,500	£180,000

Non-executive Directors	2015/16	2014/15
Basic fee	£46,500	£46,500
Additional fee for		
– Chairmanship of the Audit Committee	£7,500	£7,500
– Chairmanship of the Remuneration Committee	£7,500	£7,500
– Senior Independent Non-executive Director	£5,000	£5,000

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

There were no payments for loss of office made during the year.

STATEMENT OF DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

Executive Directors are expected to build up and maintain a shareholding in the Company equal to at least one times salary. During the period the Committee reviewed Directors' shareholding requirements and agreed to adopt market value at the end of the financial period as the basis for calculating the required shareholding, instead of the historic acquisition costs. This aligns the valuation method with market practice and better reflects the Directors' level of investment and commitment to the Company.

As at 3 October 2015, Andrew Andrea held 87%, Peter Dalzell held 50% and Ralph Findlay held in excess of 100% of base salary (based on the closing mid-market price of an ordinary share on 2 October 2015 being the last business day prior to the period end).

DIRECTORS' REMUNERATION REPORT CONTINUED

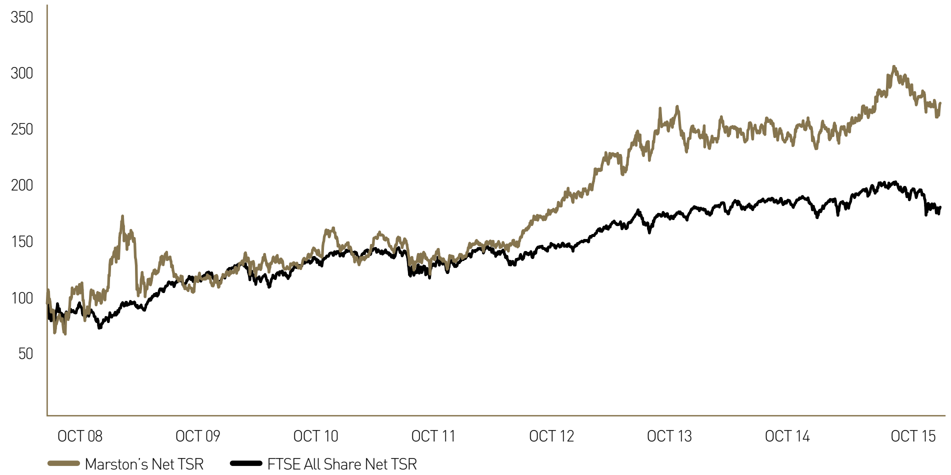
Director	Type	Owned outright	Exercised during the year	Unvested: Subject to performance conditions	Unvested: Not subject to performance conditions	Total as at 3 October 2015
	Shares	185,125	N/A	N/A	N/A	185,125
	Nil cost options[1]	N/A	N/A	1,049,652	N/A	1,049,652
Andrew Andrea	SAYE options	N/A	0	N/A	19,726	19,726
	Shares	95,509	N/A	N/A	N/A	95,509
	Nil cost options[1]	N/A	N/A	874,037	N/A	874,037
Peter Dalzell	SAYE options	N/A	20,302	N/A	14,055	14,055
	Shares	993,303	N/A	N/A	N/A	993,303
	Nil cost options[1]	N/A	N/A	1,681,313	N/A	1,681,313
Ralph Findlay	SAYE options	N/A	20,302	N/A	7,438	7,438
Nick Backhouse	Shares	25,000				25,000
Carolyn Bradley	Shares	25,000				25,000
Rosalind Cuschieri[2]	Shares	–				–
Roger Devlin	Shares	150,000				150,000
Catherine Glickman	Shares	25,000				25,000
Neil Goulden	Shares	268,000				268,000
Robin Rowland	Shares	52,083				52,083

1 On 23 October 2015 the Remuneration Committee determined that the underlying financial performance of the period ended 3 October 2015 supported the vesting of the 2012 LTIP at 41.9%.
2 Rosalind Cuschieri stepped down from the Board on 27 January 2015 and held 88,126 ordinary shares at that date.

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

PERFORMANCE GRAPH AND TABLE

This graph shows the value, at 3 October 2015, 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.



STATEMENT OF VOTING AT LAST AGM

The Company remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the resolutions relating to Directors' remuneration matters at the Company's Annual General Meeting on 27 January 2015:

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve the Annual Report on Remuneration	97,950,014	99.46%	535,561	0.54%	1,146,629

CHIEF EXECUTIVE OFFICER REMUNERATION FOR PREVIOUS SEVEN YEARS

	Total remuneration	Annual bonus (% of maximum opportunity)	LTIP (% of maximum number of shares)
2014/15	£1,094,044	40%	41.7%
2013/14	£1,121,294	25%	41.9%[1]
2012/13	£937,312	0%	44.2%
2011/12	£815,690	40%	0.0%
2010/11	£974,784	46%	0.0%
2009/10	£826,677	40%	0.0%
2008/09	£640,190	0%	0.0%

[1] In the Directors' Remuneration Report for the period ended 4 October 2014, the table showing the Chief Executive Officer remuneration for the previous six years assumed that the LTIP awards granted in June 2012 would vest at 36.0%. As noted on page 43, those LTIP awards vested in October 2015 at 41.9% and in the table above the total remuneration figure and vesting percentage for 2013/14 have been updated accordingly.

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 versus the prior year 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.

	CEO	Wider workforce
Salary	1.9%	2.0%
Taxable benefits	0.0%	0.0%
Annual bonus[1]	60.0%	2.92%

[1] For 2014/15, the bonus payable for both the CEO and the wider workforce is 40% of the maximum annual bonus entitlement. For 2013/14 the majority of the wider workforce received 40% of their maximum annual bonus entitlement. For the CEO (and senior managers and other Directors) the bonus awarded was scaled back from 40% to 25% taking into account the economic environment at that time.

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).

	2014/15	2013/14	% Change
Dividends payable in respect of the period	£40.1m	£38.3m	4.7%
Overall expenditure on pay (excluding non-underlying items)	£185.6m	£170.2m	9.0%

ADVISERS

During the period the Committee received advice from a number of sources 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 sources comprise:

- Deloitte LLP (Deloitte). Appointed by the Committee in 2003, Deloitte is retained to provide independent advice to the Committee as required and has confirmed it remains independent. During the period, Deloitte has also provided 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 £10,900 (2014: £15,100).
- 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, Group Secretary, provides general advice and support on governance and best practice, as secretary to the Committee.

DIRECTORS' REMUNERATION REPORT CONTINUED
DIRECTORS' REMUNERATION POLICY

This part of the report sets out the Company's Directors' Remuneration Policy which was approved by shareholders at the 2014 AGM. The policy came into effect on 5 October 2014. The policy is determined by the Company's Remuneration Committee. The policy is due to be reviewed by shareholders at the 2017 AGM.

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 an 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 (DBP)

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 malus provision gives the 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. A clawback provision allows the Committee to recover any bonus awarded (for up to two years) if certain events occur. These events include serious misconduct and a material misstatement of the Group's audited results. 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 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 makes long term incentive awards under the 2014 LTIP which was approved by shareholders at the 2014 AGM. Under the 2014 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 Committee has discretion to increase the extent of vesting having due regard to performance over the period to vesting. As described on page 56, LTIP awards may also vest early in 'good leaver' circumstances. Under the new LTIP the 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. At any time on or after the vesting of an award and prior to the second anniversary of vesting, a clawback provision allows the Committee to reduce the number of shares subject to an award or cancel an un-exercised award or require a cash payment in respect of shares already delivered under an award if certain events occur. These events include serious misconduct and a material misstatement of the Group's audited results. 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 an LTIP award, with the vesting of the LTIP award scaled back to take account of any gain made on exercise of the approved option.
Opportunity	The normal maximum award size will be 125% of base salary in respect of any financial year. In exceptional circumstances the 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 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 2016, the performance measures and weightings will be: • 40% free cash flow; • 40% cash return on cash 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 continued to accrue benefits under this scheme until 30 September 2014.
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 (e.g. 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 are 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 requirement to illustrate the relative split of remuneration between fixed pay and variable pay for each Executive Director, on the basis of minimum remuneration, remuneration receivable for performance in line with the Company's expectations and maximum remuneration, only applies to the first financial year of the current Remuneration Policy. These charts can be viewed on pages 41 to 42 in the 2014 Annual Report and Accounts which is available at **www.marstons.co.uk**

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 marketplace, internal consistency and the Company's ability to pay.

With the exception of our pub managers and field-based sales 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 buy-out 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 or the requisite cash allowance equivalent.
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).
2014 LTIP	Any award under the 2014 LTIP would be determined based on the leaver provisions contained within the 2014 LTIP plan rules. For 'good leavers' 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 People 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 2014 LTIP being formally put to shareholders, the Committee held an open dialogue with major shareholders and institutional investor bodies setting out the proposals and the detailed thinking and planning behind them.

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

Neil Goulden
Chairman of the Remuneration Committee
26 November 2015

OTHER STATUTORY INFORMATION

This section contains additional information which the Directors are required by law and regulation to include within the Annual Report and Accounts. This section along with the information from the Chairman's Statement on page 4 to the Statement of Directors' Responsibilities on page 62 constitutes the Directors' Report in accordance with the Companies Act 2006.

STRATEGIC REPORT

The Company is required by the Companies Act to include a Strategic Report in this document. The information that fulfils the requirements of the Strategic Report can be found on pages 1 to 26, which are incorporated in this report by reference.

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement as required by the Financial Conduct Authority's Disclosure and Transparency Rules (DTR) 7.2.1 is set out on pages 28 to 38 and is incorporated into this report by reference.

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 period are shown in note 27 to the financial statements on page 107. 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 106 to 107. 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 2015 Annual General Meeting (AGM). The Company was also given authority at its 2015 AGM to make market purchases of ordinary shares up to a maximum number of 57,314,054 shares. Similar authority will again be sought from shareholders at the 2016 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 28 to 38.

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 DTR. The information shown below was correct at the time of disclosure. However, the date received may not have been within the current financial reporting period and the percentages shown (as provided at the time of disclosure) have not been re-calculated based on the issued share capital at the period end. It should also be noted that these holdings may have changed since the Company was notified, however, notification of any change is not required until the next notifiable threshold is crossed.

No further notifications have been received by the Company between 3 October 2015 and 23 November 2015 (being the latest practical date prior to the date of this report).

Ordinary shares of 7.375 pence each

Shareholder	As at 3 October 2015	% of voting rights
The Capital Group Companies, Inc	34,423,328	6.01%
Brewin Dolphin	28,751,311	5.01%
Royal London Asset Management Limited	23,114,123	4.03%

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

PREFERENCE SHARES

Shareholder	Number	% of preference share 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%
Hargreave Hale Nominees Ltd	2,700	3.60%

DIVIDENDS ON ORDINARY SHARES

An interim dividend of 2.5 pence per ordinary share was paid on 7 July 2015. The Directors recommend a final dividend of 4.5 pence per ordinary share to be paid on 1 February 2016 to shareholders on the register on 18 December 2015. This would bring the total dividend for 2014/15 to 7.0 pence per ordinary share (2014: 6.7 pence per ordinary share). 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. Further details are given in note 17 on page 96.

DIRECTORS

Biographies of the Directors currently serving on the Board are set out on pages 30 and 31.

Changes to the Board during the period are set out in the Corporate Governance Report on page 33. Details of Directors' service contracts are set out in the Directors' Remuneration Report on page 55.

In accordance with the requirements of the UK Corporate Governance Code all Directors will offer themselves for re-election at the AGM on 26 January 2016.

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. These indemnities were in place for the whole of the period ended 3 October 2015 and as at the date of the report. There are no indemnities in place for the benefit of the Auditors.

OTHER STATUTORY INFORMATION
CONTINUED

EMPLOYEE INFORMATION
The average number of employees within the Group is shown in note 5 to the financial statements on page 86.

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.

The Company is committed to employee involvement and keeps employees informed of the performance and strategy of the Group through presentations of the interim and annual results by senior management. In addition, there are a range of internal newsletters, booklets and briefings to keep employees abreast of developments. Employees views are sought through regular engagement surveys across the Group and action plans are put in place to respond to issues arising. Employees are encouraged to participate in the Company's SAYE share scheme.

ENVIRONMENTAL POLICY AND MANDATORY GREENHOUSE GAS EMISSIONS REPORTING
Marston's places social responsibility at the heart of its business. The Board recognises that responsible behaviour is key to building sustainable growth and reputational value. Our responsible approach defines our corporate behaviour, the perception of our brands and the appreciation for the quality of our products and standard of service.

Each year Marston's publishes a Corporate Responsibility Report providing information on the many aspects of our corporate values, available at **www.marstons.co.uk**

Environmental Impact
Marston's publishes detailed information on energy consumption, water usage and waste in its Corporate Responsibility Report. In recent years we have achieved considerable reductions in energy usage by replacing all the lighting in the public areas of our managed and franchised pubs with LED lighting. Water usage has been significantly reduced by installing water management systems in our managed pubs, and we are now rolling the same systems out across our franchised estate. We continue to aim to increase the percentage of waste being recycled (2015: 81.0%, 2014: 80.2%). Currently 336 of our managed pubs recycle food waste (2014: 319).

This year electricity and gas consumption emissions have again increased due to greater food sales, additional new-build pub-restaurants, and the conversion of more tenanted pubs to franchised. Marston's estate maintenance team continues to work to reduce energy and emissions in the pub estate. Projects have included installing LED lighting in all front of house areas, ambient air to cool our cellars rather than air conditioning, voltage optimisation, heating control systems and heat recovery systems.

Fuel Types	**2015** CO_2e tonnes	2014 CO_2e tonnes
Electricity and gas	**128,611**	121,533
Petrol and diesel	**11,809**	8,259
Refrigerants – breweries	**62**	50
Refrigerants – pubs	**4,393**	4,161
LPG	**2,417**	2,259

Greenhouse Gas Emissions Intensity Ratio:	**2015**	2014
CO_2e tonnes per £100,000 of turnover	**18.41**	17.67

Note:
1. We report on all the measured emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.
2. Data collected is in respect of the year ended 31 March 2015, the period for which our carbon emissions are reported under the Carbon Reduction Commitment Energy Efficiency Scheme.

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 Group together with details of our treasury policy and management are set out in note 20 to the financial statements on pages 98 to 101.

AUDITORS
PricewaterhouseCoopers LLP have indicated their willingness to continue as Auditors and their re-appointment has been approved by the Audit Committee. Resolutions to re-appoint them and to authorise the Directors to determine their remuneration will be proposed at the 2016 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 24 to 26. In addition, note 20 to the financial statements on pages 98 to 101 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 69 to 112 and 115 to 124 have been prepared on the going concern basis.

ANNUAL GENERAL MEETING
The AGM of the Company will be held at Wolverhampton Wanderers Football Club, Molineux Stadium, Waterloo Road, Wolverhampton WV1 4QR at 12 noon on 26 January 2016. 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
26 November 2015

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 (EU), 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 EU 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;
- 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 Group's and 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 page 30 to 31 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 together with the Other Statutory Information 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.

In accordance with Section 418, Companies Act 2006, 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) he/she has taken all the steps that he/she ought to have taken as a Director in order to make him/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
26 November 2015

Andrew Andrea
Chief Financial Officer

IN THIS SECTION

FINANCIAL STATEMENTS

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

REPORT ON THE GROUP FINANCIAL STATEMENTS

Our opinion

- In our opinion, Marston's PLC's Group financial statements (the 'financial statements'):
- give a true and fair view of the state of the Group's affairs as at 3 October 2015 and of its profit and cash flows for the 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.

What we have audited

The financial statements, included within the Annual Report and Accounts (the 'Annual Report'), comprise:

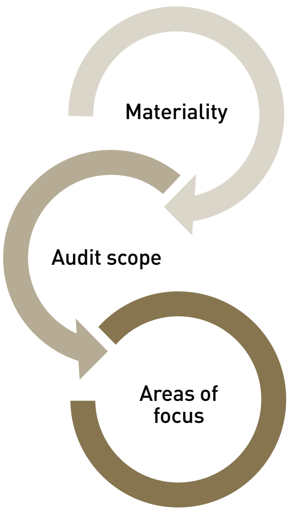
- the Group Balance Sheet as at 3 October 2015;
- the Group Income Statement and Group Statement of Comprehensive Income for the period then ended;
- the Group Cash Flow Statement for the period then ended;
- the Group Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

Our audit approach

Overview



- Overall Group materiality: £4.6 million which represents 5% of profit before tax and non-underlying items.

- Audit performed at the level of the consolidated Group

- Valuation of the estate
- Disclosure of items as 'non-underlying'
- Accounting for uncertain tax positions
- Accounting for the acquisition of the beer division of Daniel Thwaites PLC

The scope of our audit and our areas of focus

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

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there is evidence of bias by the Directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
Valuation of the estate (notes 1, 4, 11, 12 and 15) **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. The valuation in the period resulted in a net increase in shareholders' equity of £57.3 million and a net £38.6 million impairment charge in the income statement. There are complex and subjective assumptions used in the valuations, including the future expected performance of pubs and multiples to be applied.**	We obtained the Directors' valuation and impairment analysis and discussed the valuations, the methodology adopted and the assumptions used with the Group's estates team and our valuation specialists. We also took into account the impact of changes in macroeconomic conditions, pub performance and recent market transactions and their associated multiples. We assessed the valuation methodologies adopted and found them to be appropriate. We verified management's assumptions on future earnings and multiples using recent market transactions data, historical pub performance and the level of investment in properties and considered the impact of movements in key assumptions. We found the assumptions adopted to be appropriate and consistent with our knowledge of the business. Where material adjustments to valuations of specific assets occurred we agreed the revaluation adopted by management to external market information or third party evidence, including offers received that supported the value. We found that the estate had been valued in line with the Group's policy using appropriate methodologies and assumptions.
Disclosure of items as 'non-underlying' (notes 1 and 4) **The financial statements include certain items which are disclosed as 'non-underlying' such as non-core estate disposal and reorganisation costs, impairment charges in respect of the property estate, losses on the portfolio disposal of pubs and the results arising from the ongoing management of these pubs, recognition of onerous lease provisions and associated leasehold impairments, movements in the financial assumptions used in determining the onerous lease provisions, relocation, reorganisation and integration costs and movements in the fair value of interest rate swaps. Management has included these items as non-underlying using the criteria explained in their accounting policy which is disclosed in note 1 to the financial statements.** **We focused on this area because non-underlying 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 non-underlying is important to maintain comparability of the results with previous periods.**	We assessed the appropriateness of the Group's accounting policy and whether those items disclosed as non-underlying were consistent with the accounting policy and the approach taken in previous accounting periods. We found the Group's accounting policy to be appropriate and the classification of items to be consistent with the accounting policy. We also considered an appropriate threshold to apply to non-underlying items based on the financial statement line items that were affected. For example, property items are considered by management to have a higher threshold for disclosure as non-underlying. We concluded that the thresholds adopted are appropriate in the circumstances. We assessed whether other non-recurring items should have been classified as non-underlying and discussed this with the Directors and the Audit Committee. We confirmed that all significant items meeting the criteria in the Group's accounting policy had been identified and that the treatment was consistent year on year.
Accounting for uncertain tax positions (note 1) **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.** **These uncertainties arise because these matters have not yet been resolved with HM Revenue & Customs and the Directors have had to make material judgements about the recognition or non-recognition of the benefits or liabilities associated with the tax positions.**	We examined correspondence with HM Revenue & Customs and any legal challenges relevant to the individual circumstances of each case. We assessed the position taken by the Directors in respect of these uncertainties. We evaluated the appropriateness of the recognition or non-recognition of the benefits or liabilities associated with these tax positions, and the treatment of any related interest. We found that the positions taken by the Directors were appropriate.

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

AREA OF FOCUS	HOW OUR AUDIT ADDRESSED THE AREA OF FOCUS
Accounting for the acquisition of the beer division of Daniel Thwaites PLC (note 35) **The Group acquired the trade and assets of the beer division of Daniel Thwaites PLC ('Thwaites') for consideration of £28.8 million.** **Accounting for the acquisition of the trade and assets involved judgements in relation to the identification and valuation of the assets and liabilities to be recognised, particularly in respect of the acquired brands.** **The value of the acquired brands, which was calculated by management, included estimates about future earnings and current market multiples.** **Judgement was required to determine whether costs arising from the Thwaites acquisition met the Group's accounting policy for non-underlying items.**	We tested the brand value by understanding the appropriateness of the methodology used, benchmarking the value using a royalty replacement method and considering comparable market transactions. We compared the forecast revenue and margins for the Thwaites beer brands to historic performance and evaluated the brand valuation in the context of the rationale for the acquisition and the objectives of the accounting framework. We found that the brand valuation was consistent with the application of industry practices and market transactions. We evaluated the fair value ascribed to the acquired assets and liabilities, for example by challenging management's assessment of the acquired inventory and accounts receivable with reference to Marston's experience in recovering debt and the margins on other beer brands. We found the fair value ascribed to the acquired assets and liabilities to be reasonable. We considered the classification of the restructuring costs incurred following the business combination as 'non-underlying' and the appropriateness of their identification. We determined that they had been identified accurately and had been classified in accordance with the Group's accounting policy.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, the industry in which the Group operates and the integration of the acquired Thwaites business.

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

In establishing the overall approach to the Group audit we considered the consolidated trial balance for the Group as a whole and designed our audit testing for each financial statement line item based on the size and nature of the transactions and balances that are aggregated to form that line item and our assessment of the risk of material misstatement. We used our professional judgement to determine the nature and extent of testing required over each line item in the financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures, and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£4.6 million (2014: £4.2 million).
How we determined it	5% of profit before tax and non-underlying items.
Rationale for benchmark applied	We believe that profit before tax and non-underlying items is the primary measure used by the shareholders in assessing the performance of the Group and is a generally accepted auditing benchmark. The exclusion of items classified as non-underlying is consistent with previous periods and practice within the sector.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million (2014: £0.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statements, set out on page 62, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are also required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statements, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. 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.

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinions
In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

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 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 – otherwise misleading.	We have no exceptions to report.
• The statement given by the Directors on page 62, in accordance with provision C.1.1 of the UK Corporate Governance Code (the 'Code'), 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 is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report.
• The section of the Annual Report on pages 36 to 37, as required by provision C.3.8 of the Code, 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.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
• The Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• The Directors' explanation in the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue as a going concern in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.
Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group, set out on page 21. Our review was substantially less in in scope than an audit and only consisted of making enquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

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

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 to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

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 62, the Directors are responsible for the preparation of the 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 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.

What an audit of financial statements involves
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.

We primarily focus 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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited 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.

OTHER MATTER

We have reported separately on the Parent Company financial statements of Marston's PLC for the period ended 3 October 2015 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
26 November 2015

GROUP INCOME STATEMENT

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

	Note	2015 Underlying items £m	2015 Non-underlying items £m	2015 Total £m	2014 Underlying items £m	2014 Non-underlying items £m	2014 Total £m
Revenue	2, 3, 4	**845.5**	**33.1**	**878.6**	787.6	27.7	815.3
Operating expenses*	3	**(680.1)**	**(84.7)**	**(764.8)**	(631.5)	(134.7)	(766.2)
Operating profit	2, 4	**165.4**	**(51.6)**	**113.8**	156.1	(107.0)	49.1
Finance costs	6	**(74.5)**	**–**	**(74.5)**	(73.4)	(27.0)	(100.4)
Finance income	6	**0.6**	**–**	**0.6**	0.3	–	0.3
Movement in fair value of interest rate swaps	4, 6	**–**	**(8.6)**	**(8.6)**	–	(8.2)	(8.2)
Net finance costs	4, 6	**(73.9)**	**(8.6)**	**(82.5)**	(73.1)	(35.2)	(108.3)
Profit/(loss) before taxation		**91.5**	**(60.2)**	**31.3**	83.0	(142.2)	(59.2)
Taxation	4, 7	**(17.7)**	**9.7**	**(8.0)**	(16.3)	24.8	8.5
Profit/(loss) for the period attributable to equity shareholders		**73.8**	**(50.5)**	**23.3**	66.7	(117.4)	(50.7)
Earnings/(loss) per share:							
Basic earnings/(loss) per share	9			**4.1p**			(8.9)p
Basic underlying earnings per share	9			**12.9p**			11.7p
Diluted earnings/(loss) per share	9			**4.0p**			(8.9)p
Diluted underlying earnings per share	9			**12.8p**			11.6p

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

	2015 £m	2014 £m
Profit/(loss) for the period	**23.3**	(50.7)
Items of other comprehensive income that may subsequently be reclassified to profit or loss		
Losses arising on cash flow hedges	**(56.1)**	(36.4)
Transfers to the income statement on cash flow hedges	**12.2**	39.0
Tax on items that may subsequently be reclassified to profit or loss	**8.7**	(0.5)
	(35.2)	2.1
Items of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	**(6.7)**	(12.5)
Unrealised surplus on revaluation of properties*	**216.5**	16.4
Reversal of past revaluation surplus*	**(120.6)**	(3.4)
Tax on items that will not be reclassified to profit or loss	**(17.1)**	0.8
	72.1	1.3
Other comprehensive income for the period	**36.9**	3.4
Total comprehensive income/(expense) for the period	**60.2**	(47.3)

* During the current period revaluations of the Group's freehold and leasehold properties were undertaken, resulting in a net increase in property values of £57.3 million. An unrealised surplus on revaluation of £216.5 million and a reversal of past revaluation surplus of £120.6 million have been recognised in the revaluation reserve, and a net charge of £38.6 million has been 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 52 WEEKS ENDED 3 OCTOBER 2015

	Note	2015 £m	2014 £m
Operating activities			
Underlying operating profit		**165.4**	156.1
Depreciation and amortisation		**37.9**	36.3
Underlying EBITDA		**203.3**	192.4
Non-underlying operating items		**(51.6)**	(107.0)
EBITDA		**151.7**	85.4
Working capital movement	29	**10.7**	(23.7)
Non-cash movements	29	**30.0**	78.1
Increase in provisions and other non-current liabilities		**0.1**	22.8
Difference between defined benefit pension contributions paid and amounts charged/credited		**(14.0)**	(26.0)
Income tax paid		**(16.2)**	(8.8)
Net cash inflow from operating activities		**162.3**	127.8
Investing activities			
Interest received		**0.7**	0.5
Sale of property, plant and equipment and assets held for sale		**69.6**	143.6
Purchase of property, plant and equipment and intangible assets		**(142.3)**	(142.6)
Acquisition of business		**(28.8)**	–
Movement in other non-current assets		**2.4**	1.3
Net cash (outflow)/inflow from investing activities		**(98.4)**	2.8
Financing activities			
Equity dividends paid	8	**(38.9)**	(37.1)
Interest paid		**(71.8)**	(74.6)
Arrangement costs of bank facilities		**(0.2)**	(1.9)
Arrangement costs of other lease related borrowings		**(2.9)**	(3.9)
Swap termination costs		**–**	(25.0)
Proceeds of ordinary share capital issued		**–**	0.2
Proceeds from sale of own shares		**1.5**	0.5
Repayment of securitised debt		**(25.4)**	(104.0)
Advance of bank loans		**38.0**	21.0
Capital element of finance leases repaid		**(0.1)**	(0.1)
Advance of other lease related borrowings		**47.0**	53.5
Advance of other borrowings		**–**	120.0
Net cash outflow from financing activities		**(52.8)**	(51.4)
Net increase in cash and cash equivalents	30	**11.1**	79.2

GROUP BALANCE SHEET

AS AT 3 OCTOBER 2015

	Note	3 October 2015 £m	4 October 2014 £m
Non-current assets			
Goodwill	10	**227.5**	224.2
Other intangible assets	11	**37.6**	25.1
Property, plant and equipment	12	**2,122.6**	1,990.0
Deferred tax assets	22	**67.8**	49.1
Retirement benefit surplus	25	**15.0**	7.8
Other non-current assets	13	**12.1**	11.5
		2,482.6	2,307.7
Current assets			
Inventories	14	**28.2**	23.0
Trade and other receivables	16	**84.3**	72.9
Cash and cash equivalents*	30	**193.1**	180.9
		305.6	276.8
Assets held for sale	15	**18.0**	38.3
Current liabilities			
Borrowings*	17	**(154.0)**	(151.6)
Derivative financial instruments	18	**(25.7)**	(19.5)
Trade and other payables	21	**(185.2)**	(157.0)
Current tax liabilities		**(7.2)**	(14.2)
		(372.1)	(342.3)
Non-current liabilities			
Borrowings	17	**(1,284.1)**	(1,227.5)
Derivative financial instruments	18	**(167.0)**	(120.7)
Deferred tax liabilities	22	**(156.8)**	(131.3)
Other non-current liabilities	23	**(1.8)**	(2.9)
Provisions for other liabilities and charges	24	**(41.5)**	(39.1)
		(1,651.2)	(1,521.5)
Net assets		**782.9**	759.0
Shareholders' equity			
Equity share capital	27	**44.4**	44.4
Share premium account		**334.0**	334.0
Revaluation reserve		**616.0**	545.9
Capital redemption reserve	28	**6.8**	6.8
Hedging reserve		**(128.1)**	(92.9)
Own shares	28	**(118.7)**	(126.8)
Retained earnings		**28.5**	47.6
Total equity		**782.9**	759.0

The financial statements on pages 69 to 112 were approved by the Board on 26 November 2015 and signed on its behalf by:

Ralph Findlay
Chief Executive Officer
26 November 2015

* Cash and cash equivalents includes £120.0 million (2014: £120.0 million) drawn down under the liquidity facility and borrowings includes the corresponding liability (note 30).

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

	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 5 October 2014	44.4	334.0	545.9	6.8	(92.9)	(126.8)	47.6	759.0
Profit for the period	–	–	–	–	–	–	23.3	23.3
Remeasurement of retirement benefits	–	–	–	–	–	–	(6.7)	(6.7)
Tax on remeasurement of retirement benefits	–	–	–	–	–	–	1.4	1.4
Losses on cash flow hedges	–	–	–	–	(56.1)	–	–	(56.1)
Transfers to the income statement on cash flow hedges	–	–	–	–	12.2	–	–	12.2
Tax on hedging reserve movements	–	–	–	–	8.7	–	–	8.7
Property revaluation	–	–	216.5	–	–	–	–	216.5
Property impairment	–	–	(120.6)	–	–	–	–	(120.6)
Deferred tax on properties	–	–	(18.5)	–	–	–	–	(18.5)
Total comprehensive income/(expense)	–	–	77.4	–	(35.2)	–	18.0	60.2
Share-based payments	–	–	–	–	–	–	0.8	0.8
Tax on share-based payments	–	–	–	–	–	–	0.3	0.3
Sale of own shares	–	–	–	–	–	8.1	(6.6)	1.5
Disposal of properties	–	–	(7.4)	–	–	–	7.4	–
Tax on disposal of properties	–	–	0.9	–	–	–	(0.9)	–
Transfer to retained earnings	–	–	(0.8)	–	–	–	0.8	–
Dividends paid	–	–	–	–	–	–	(38.9)	(38.9)
Total transactions with owners	–	–	(7.3)	–	–	8.1	(37.1)	(36.3)
At 3 October 2015	**44.4**	**334.0**	**616.0**	**6.8**	**(128.1)**	**(118.7)**	**28.5**	**782.9**

	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 6 October 2013	44.4	333.8	575.3	6.8	(95.0)	(130.9)	107.5	841.9
Loss for the period	–	–	–	–	–	–	(50.7)	(50.7)
Remeasurement of retirement benefits	–	–	–	–	–	–	(12.5)	(12.5)
Tax on remeasurement of retirement benefits	–	–	–	–	–	–	2.8	2.8
Losses on cash flow hedges	–	–	–	–	(36.4)	–	–	(36.4)
Transfers to the income statement on cash flow hedges	–	–	–	–	39.0	–	–	39.0
Tax on hedging reserve movements	–	–	–	–	(0.5)	–	–	(0.5)
Property revaluation	–	–	16.4	–	–	–	–	16.4
Property impairment	–	–	(3.4)	–	–	–	–	(3.4)
Deferred tax on properties	–	–	(2.0)	–	–	–	–	(2.0)
Total comprehensive income/(expense)	–	–	11.0	–	2.1	–	(60.4)	(47.3)
Share-based payments	–	–	–	–	–	–	0.7	0.7
Tax on share-based payments	–	–	–	–	–	–	0.1	0.1
Issue of shares	–	0.2	–	–	–	–	–	0.2
Sale of own shares	–	–	–	–	–	4.1	(3.6)	0.5
Disposal of properties	–	–	(44.6)	–	–	–	44.6	–
Tax on disposal of properties	–	–	4.7	–	–	–	(4.7)	–
Transfer to retained earnings	–	–	(0.5)	–	–	–	0.5	–
Dividends paid	–	–	–	–	–	–	(37.1)	(37.1)
Total transactions with owners	–	0.2	(40.4)	–	–	4.1	0.5	(35.6)
At 4 October 2014	**44.4**	**334.0**	**545.9**	**6.8**	**(92.9)**	**(126.8)**	**47.6**	**759.0**

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

NOTES

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

1 ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements for the 52 weeks ended 3 October 2015 (2014: 52 weeks ended 4 October 2014) have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee and Standing Interpretations Committee 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.

Some of the prior period balances within cash and cash equivalents that were originally presented on a net basis in the balance sheet and the relevant notes have been represented on a gross basis to more accurately reflect the underlying transactions and to be consistent with the current period presentation.

New standards and interpretations

The International Accounting Standards Board (IASB) has issued the following new or revised standards and interpretations with an effective date for financial periods beginning on or after the dates disclosed below. These standards and interpretations have not yet been adopted by the Group.

IFRS 9	Financial Instruments	
	New accounting standard	1 January 2018
IFRS 10	Consolidated Financial Statements	
	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
	Amendments regarding the application of the consolidation exception	1 January 2016
IFRS 11	Joint Arrangements	
	Amendments regarding the accounting for acquisitions of an interest in a joint operation	1 January 2016
IFRS 12	Disclosure of Interests in Other Entities	
	Amendments regarding the application of the consolidation exception	1 January 2016
IFRS 14	Regulatory Deferral Accounts	
	New accounting standard	1 January 2016
IFRS 15	Revenue from Contracts with Customers	
	New accounting standard	1 January 2018
IAS 1	Presentation of Financial Statements	
	Amendments resulting from the disclosure initiative	1 January 2016
IAS 16	Property, Plant and Equipment	
	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
	Amendments bringing bearer plants into the scope of IAS 16	1 January 2016
IAS 27	Separate Financial Statements	
	Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	1 January 2016
IAS 28	Investments in Associates and Joint Ventures	
	Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
	Amendments regarding the application of the consolidation exception	1 January 2016
IAS 38	Intangible Assets	
	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 41	Agriculture	
	Amendments bringing bearer plants into the scope of IAS 16	1 January 2016

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

The Directors are considering the impact of the adoption of the above new standards and amendments on the Group.

1 ACCOUNTING POLICIES (CONTINUED)

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.

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 incorporate the results of Marston's Issuer PLC and its parent company, Marston's Issuer Parent Limited. Marston's Issuer PLC was set up with the sole purpose of issuing debt secured on assets owned by the Group. Wilmington Trust SP Services (London) Limited holds the shares of Marston's Issuer Parent Limited under a declaration of trust for charitable purposes. The rights provided to the Group through the securitisation give the Group power over these companies and the ability to use that power to affect its exposure to variable returns from them. As such the Directors of Marston's PLC consider that these companies are controlled by the Group, as defined in IFRS 10 'Consolidated Financial Statements', and hence for the purpose of the consolidated financial statements they have been treated as subsidiary undertakings.

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 rent 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 mainly comprises rent 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 'Operating Segments' 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.

Non-underlying items
In order to illustrate the underlying trading performance of the Group, presentation has been made of performance measures excluding those items which it is considered would distort the comparability of the Group's results. These non-underlying items comprise exceptional items and other adjusting 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.

Other adjusting items comprise the revenue and expenses in respect of the ongoing management of the portfolio of 202 pubs disposed of in the prior period. Following their disposal these pubs no longer form part of the Group's core activities and the Group does not have the ability to make strategic decisions in respect of them. As such it is considered appropriate to exclude the results of these pubs from the Group's underlying results.

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

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

1 ACCOUNTING POLICIES (CONTINUED)

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.

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 their 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.

1 ACCOUNTING POLICIES (CONTINUED)

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 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.

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.

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

1 ACCOUNTING POLICIES (CONTINUED)

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 hedging 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.

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 or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flow affects profit or loss.

1 ACCOUNTING POLICIES (CONTINUED)

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 initially recognised 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 interest costs incurred on the financing of major projects, which are capitalised until the time that the projects are available for use.

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 plan are determined by the Projected Unit Credit Method, with actuarial calculations being carried out at each period end date. Costs are recognised in the income statement within both operating expenses and net finance costs. The current service cost, past service cost and gains or losses arising from settlements are included within operating expenses. The net interest on the net defined benefit asset/liability and the administrative expenses paid from plan assets are included within net finance costs.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the period in which they occur in the statement of comprehensive income. The return on plan assets, excluding amounts included in the net interest on the net defined benefit asset/liability, is also recognised in other comprehensive income.

The asset/liability recognised in the balance sheet for the defined benefit pension plan is the fair value of plan assets less the present value of the defined benefit obligation. Where the fair value of plan assets exceeds the present value of the defined benefit obligation, the Group recognises an asset at the lower of the fair value of plan assets less the present value of the defined benefit obligation, 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 plans 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 plan.

NOTES CONTINUED
FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

1 ACCOUNTING POLICIES (CONTINUED)

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 calculations are the discount rates, inflation rates and 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.

Own shares
Own shares comprise treasury shares, and shares held on trust for employee share schemes, 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.

1 ACCOUNTING POLICIES (CONTINUED)

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 non-underlying items. Details of these assumptions and judgements are provided 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 plan, which include discount rates, rates of increase in pensionable salaries, rates of increase in pensions, inflation rates and life expectancies (note 25).
- Recognition of a retirement benefit surplus (see accounting policy).

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 calculations, in particular the market rents, vacant periods, inflation rates and discount rates (see accounting policy).

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

Non-underlying items
- Determination of items to be classed as non-underlying (see accounting policy).

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

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	Drink sales, rent from licensed properties and gaming machine income
Brewing	Drink sales and third party brewing and packaging
Group Services	N/A

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

Underlying revenue by segment	2015 £m	2014 £m
Destination and Premium	**408.1**	376.9
Taverns	**214.7**	225.1
Leased	**53.6**	53.1
Brewing	**169.1**	132.5
Group Services	**–**	–
Underlying revenue	**845.5**	787.6
Non-underlying items	**33.1**	27.7
Revenue	**878.6**	815.3

Underlying operating profit by segment	2015 £m	2014 £m
Destination and Premium	**83.6**	76.0
Taverns	**55.9**	55.7
Leased	**23.8**	23.5
Brewing	**20.7**	17.4
Group Services	**(18.6)**	(16.5)
Underlying operating profit	**165.4**	156.1
Non-underlying operating items	**(51.6)**	(107.0)
Operating profit	**113.8**	49.1
Net finance costs	**(82.5)**	(108.3)
Profit/(loss) before taxation	**31.3**	(59.2)

	Additions to non-current assets*		Depreciation and amortisation	
Other segment information	2015 £m	2014 £m	2015 £m	2014 £m
Destination and Premium	**96.1**	104.2	**16.2**	15.4
Taverns	**22.3**	19.6	**7.1**	8.2
Leased	**5.5**	5.8	**1.8**	1.9
Brewing	**12.0**	10.3	**8.7**	7.5
Group Services	**8.9**	6.0	**4.1**	3.3
Total	**144.8**	145.9	**37.9**	36.3

* Excludes amounts relating to goodwill, retirement benefits, financial instruments and deferred tax assets.

Geographical areas

Revenue generated outside the United Kingdom during the period was £3.3 million (2014: £3.4 million).

3 REVENUE AND OPERATING EXPENSES

Revenue	**2015 £m**	2014 £m
Goods	**814.7**	753.9
Services	**63.9**	61.4
	878.6	815.3

Revenue from services includes rent receivable from licensed properties of £20.5 million (2014: £21.9 million).

Operating expenses	**2015 £m**	2014 £m
Change in stocks of finished goods and work in progress	**(1.1)**	(1.5)
Own work capitalised	**(4.3)**	(4.7)
Other operating income	**(8.1)**	(7.3)
Raw materials, consumables and excise duties	**301.7**	279.6
Depreciation of property, plant and equipment	**36.3**	35.1
Amortisation of intangible assets	**1.6**	1.2
Employee costs	**187.6**	160.9
Hire of plant and machinery	**1.0**	0.9
Other operating lease rentals	**21.4**	20.0
Income from other non-current assets	**(0.2)**	(0.2)
Impairment of freehold and leasehold properties	**38.6**	31.1
Other net operating charges	**190.3**	251.1
	764.8	766.2

The amounts included in the line items above which have been classed as non-underlying are as follows:

	2015 £m	2014 £m
Other operating income	**(0.2)**	(0.2)
Raw materials, consumables and excise duties	**10.8**	9.1
Employee costs	**2.0**	(9.3)
Other operating lease rentals	**10.9**	8.8
Impairment of freehold and leasehold properties	**38.6**	31.1
Other net operating charges	**22.6**	95.2
	84.7	134.7

PricewaterhouseCoopers LLP fees:	**2015 £m**	2014 £m
Fees payable to the Company's Auditors for the audit of the Company's annual accounts	**0.2**	0.1
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
	0.4	0.3

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

4 NON-UNDERLYING ITEMS

	2015 £m	2014 £m
Exceptional operating items		
Non-core estate disposal and reorganisation costs	**2.5**	50.6
Impairment of freehold and leasehold properties	**39.0**	–
Impact of change in rate assumptions used for onerous lease provisions	**4.9**	–
Relocation, reorganisation and integration costs	**2.6**	–
Loss on portfolio disposal of pubs	**–**	35.8
Recognition of onerous lease provisions and associated leasehold impairments	**–**	29.5
Credit in respect of defined benefit pension plan	**–**	(10.8)
	49.0	105.1
Other adjusting operating items		
Results in respect of the ongoing management of pubs in the portfolio disposal	**2.6**	1.9
	2.6	1.9
Non-underlying operating items	**51.6**	107.0
Exceptional non-operating items		
Interest on Rank refunds	**–**	(0.2)
Buyback of securitised debt and associated costs	**–**	27.2
Movement in fair value of interest rate swaps	**8.6**	8.2
	8.6	35.2
Total non-underlying items	**60.2**	142.2

Non-core estate disposal and reorganisation costs

During the period ended 5 October 2013 the Group restructured both its pub estate and its operating segments. Costs in respect of this restructuring were incurred in both the current and prior period. The prior period exceptional charge of £50.6 million included an amount of £29.6 million in respect of the impairment of non-core properties.

Impairment of freehold and leasehold properties

At 1 February 2015 the Group's freehold and leasehold properties were revalued by independent chartered surveyors on an open market value basis. The resulting revaluation adjustments have been recognised in the revaluation reserve or income statement as appropriate. The amount recognised in the income statement comprises:

	2015 £m
Impairment of other intangible assets (note 11)	**0.1**
Reversal of impairment of other intangible assets (note 11)	**(0.2)**
Impairment of property, plant and equipment (note 12)	**60.1**
Reversal of impairment of property, plant and equipment (note 12)	**(26.3)**
Impairment of assets held for sale (note 15)	**5.0**
Reversal of impairment of assets held for sale (note 15)	**(0.1)**
Valuation fees	**0.4**
	39.0

Impact of change in rate assumptions used for onerous lease provisions

Due to significant movements in gilt yields and inflation rates in the current period, the update of the discount and inflation rate assumptions used in the calculation of the Group's onerous property lease provisions at the current period end resulted in an increase of £4.9 million in the total provision.

4 NON-UNDERLYING ITEMS (CONTINUED)

Relocation, reorganisation and integration costs

During the current period redevelopment of the Group's head office building in Wolverhampton commenced along with a reorganisation of certain head office functions. Costs of £1.6 million were incurred in respect of temporarily relocating to alternative premises nearby during the period of redevelopment and in undertaking the reorganisation.

The Group also incurred reorganisation and integration costs of £1.0 million as a result of the acquisition of the trading operations of Daniel Thwaites PLC's beer division.

Portfolio disposal of pubs

During the prior period the Group disposed of a portfolio of 202 pubs and subsequently entered into a four year lease and five year management agreement in respect thereof. The loss on disposal was £35.8 million and revaluation surpluses of £37.5 million were transferred from the revaluation reserve to retained earnings upon disposal, giving a net impact of £1.7 million.

The Group no longer has strategic control of these pubs and they do not form part of its core activities. As such the results in respect of the ongoing operation and management of these pubs post disposal have been classified as a non-underlying item, comprised as follows:

	2015 £m	2014 £m
Revenue	**33.1**	27.7
Operating expenses	**(35.7)**	(29.6)
	(2.6)	(1.9)

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 hedging 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 loss of £8.6 million (2014: £8.2 million) is shown as an exceptional item.

Impact of taxation

The current tax credit relating to the above non-underlying items amounts to £1.9 million (2014: £13.0 million). The deferred tax credit relating to the above non-underlying items amounts to £7.8 million (2014: £11.8 million).

Prior period non-underlying items

A review of the Group's property leases in the prior period indicated that an additional provision of £28.0 million was required for leases which were considered to be onerous, along with an associated impairment of leasehold properties of £1.5 million. This was primarily due to the reversion of a number of leases to the Group in the prior period and a deterioration in market conditions.

During the prior period the Marston's PLC Pension and Life Assurance Scheme was closed to future accrual. The net credit of £10.8 million comprised the negative past service cost of £11.2 million less associated costs of £0.4 million.

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 the Group subsequently repaid the refunds of £5.9 million plus interest of £0.3 million thereon. In the period ended 5 October 2013 the Group had recognised a provision for the £5.9 million repayment and interest of £0.5 million. As such there was a reduction in the interest accrual of £0.2 million in the prior period.

During the prior period the Group repurchased all of its securitised AB1 notes at par. The notes, with a nominal value of £80.0 million, were immediately cancelled and the associated floating-to-fixed interest rate swap held in respect of this tranche of securitised debt was terminated. This swap had been designated as a cash flow hedge of the forecast floating rate interest payments arising in respect of the AB1 notes. As these forecast transactions were no longer expected to occur the cumulative hedging loss of £24.7 million was recognised in the income statement.

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

5 EMPLOYEES

Employee costs	2015 £m	2014 £m
Wages and salaries	**167.1**	154.9
Social security costs	**12.5**	11.2
Pension costs	**6.3**	(6.5)
Share-based payments	**0.8**	0.7
Termination costs	**0.9**	0.6
	187.6	160.9

A net non-underlying charge of £2.0 million (2014: credit of £9.3 million) is included in employee costs.

Average monthly number of employees	2015 Number	2014 Number
Bar staff	**10,830**	10,688
Management, administration and production	**2,270**	2,166

Key management personnel

Directors' emoluments are set out in the Directors' Remuneration Report on pages 39 to 57. The total cost to the Group of the Directors' remuneration for the period was £3.0 million (2014: £2.6 million), including employers' national insurance, pension costs and share-based payments.

6 FINANCE COSTS AND INCOME

Finance costs	2015 £m	2014 £m
Unsecured bank borrowings	**11.7**	12.1
Securitised debt	**49.2**	50.8
Finance leases	**1.1**	1.0
Other lease related borrowings	**10.7**	7.5
Net finance cost in respect of retirement benefits	**0.1**	0.5
Other interest payable	**1.7**	1.5
	74.5	73.4
Exceptional finance costs		
Interest on Rank refunds	**–**	(0.2)
Buyback of securitised debt and associated costs	**–**	27.2
	–	27.0
Total finance costs	**74.5**	100.4
Finance income		
Deposit and other interest receivable	**(0.6)**	(0.3)
Total finance income	**(0.6)**	(0.3)
Movement in fair value of interest rate swaps		
Gain on movement in fair value of interest rate swaps	**–**	(6.8)
Loss on movement in fair value of interest rate swaps	**8.6**	15.0
	8.6	8.2
Net finance costs	**82.5**	108.3

7 TAXATION

Income statement	2015 £m	2014 £m
Current tax		
Current period	**14.2**	14.4
Adjustments in respect of prior periods	**0.1**	(0.9)
Credit in respect of tax on non-underlying items	**(1.9)**	(13.0)
	12.4	0.5
Deferred tax		
Current period	**3.5**	2.8
Adjustments in respect of prior periods	**(0.1)**	–
Credit in respect of tax on non-underlying items	**(7.8)**	(11.8)
	(4.4)	(9.0)
Taxation charge/(credit) reported in the income statement	**8.0**	(8.5)

Statement of comprehensive income	2015 £m	2014 £m
Remeasurement of retirement benefits	**(1.4)**	(2.8)
Impairment and revaluation of properties	**18.5**	2.0
Hedging reserve movements	**(8.7)**	0.5
Taxation charge/(credit) reported in the statement of comprehensive income	**8.4**	(0.3)

Recognised directly in equity	2015 £m	2014 £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 higher (2014: higher) than the standard rate of corporation tax of 20.5% (2014: 22%). The differences are explained below:

Tax reconciliation	2015 £m	2014 £m
Profit/(loss) before tax	**31.3**	(59.2)
Profit/(loss) before tax multiplied by the corporation tax rate of 20.5% (2014: 22%)	**6.4**	(13.0)
Effect of:		
Adjustments in respect of prior periods	**–**	(0.9)
Net deferred tax charge in respect of land and buildings	**1.2**	4.5
Costs not deductible for tax purposes	**0.9**	0.2
Other amounts upon which tax relief is available	**(0.6)**	(0.6)
Impact of difference between deferred and current tax rates	**0.1**	1.3
Current period taxation charge/(credit)	**8.0**	(8.5)

The December 2012 Autumn Statement announced that the standard rate of corporation tax would 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. As such the Group's losses for the prior period were taxed at an effective rate of 22% and the Group's profits for the current period have been taxed at an effective rate of 20.5%.

The July 2015 Budget announced that the standard rate of corporation tax would change from 20% to 19% with effect from 1 April 2017 and then from 19% to 18% with effect from 1 April 2020. These changes were substantively enacted after the balance sheet date and as such their effects are not included in these financial statements.

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

8 ORDINARY DIVIDENDS ON EQUITY SHARES

Paid in the period	**2015 £m**	2014 £m
Final dividend for 2014 of 4.3p per share (2013: 4.1p)	**24.6**	23.4
Interim dividend for 2015 of 2.5p per share (2014: 2.4p)	**14.3**	13.7
	38.9	37.1

A final dividend for 2015 of 4.5p per share amounting to £25.8 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 1 February 2016 to those shareholders on the register at close of business on 18 December 2015.

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 on trust for employee share schemes.

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 and other adjusting items. The Directors consider that the supplementary figures are a useful indicator of performance.

	2015		2014	
	Earnings £m	**Per share amount p**	Earnings £m	Per share amount p
Basic earnings/(loss) per share	**23.3**	**4.1**	(50.7)	(8.9)
Diluted earnings/(loss) per share*	**23.3**	**4.0**	(50.7)	(8.9)
Underlying earnings per share figures				
Basic underlying earnings per share	**73.8**	**12.9**	66.7	11.7
Diluted underlying earnings per share	**73.8**	**12.8**	66.7	11.6

* The 2014 diluted loss per share is the same as the basic loss 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'.

	2015 m	2014 m
Basic weighted average number of shares	**572.2**	571.0
Dilutive options	**6.1**	5.0
Diluted weighted average number of shares	**578.3**	576.0

10 GOODWILL

	£m
Cost	
At 5 October 2014	225.3
Additions	3.3
At 3 October 2015	**228.6**
Aggregate impairment	
At 5 October 2014 and 3 October 2015	**1.1**
Net book amount at 4 October 2014	224.2
Net book amount at 3 October 2015	**227.5**

Additions in the period relate to the acquisition of the trading operations of Daniel Thwaites PLC's beer division (note 35).

	£m
Cost	
At 6 October 2013 and 4 October 2014	**225.3**
Aggregate impairment	
At 6 October 2013 and 4 October 2014	**1.1**
Net book amount at 5 October 2013	224.2
Net book amount at 4 October 2014	**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.

The carrying amount of goodwill has been allocated £87.5 million (2014: £87.5 million) to Destination and Premium, £86.6 million (2014: £86.6 million) to Taverns, £26.5 million (2014: £26.5 million) to Leased and £26.9 million (2014: £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 6.0% (2014: 7.5%) and the growth rate used to extrapolate the projected cash flows beyond the one year budgets of 2.0% (2014: 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.

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

11 OTHER INTANGIBLE ASSETS

	Acquired brands £m	Lease premiums £m	Computer software £m	Development costs £m	Total £m
Cost					
At 5 October 2014	19.3	1.7	9.3	0.1	30.4
Additions	–	–	1.2	–	1.2
Acquisitions	12.8	–	–	–	12.8
Net transfers to assets held for sale and disposals	–	–	(0.2)	–	(0.2)
At 3 October 2015	**32.1**	**1.7**	**10.3**	**0.1**	**44.2**
Amortisation					
At 5 October 2014	–	1.2	4.1	–	5.3
Charge for the period	–	–	1.6	–	1.6
Impairment	–	(0.1)	–	–	(0.1)
Net transfers to assets held for sale and disposals	–	–	(0.2)	–	(0.2)
At 3 October 2015	**–**	**1.1**	**5.5**	**–**	**6.6**
Net book amount at 4 October 2014	19.3	0.5	5.2	0.1	25.1
Net book amount at 3 October 2015	**32.1**	**0.6**	**4.8**	**0.1**	**37.6**

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.

The Thwaites portfolio of brands was acquired in the current period (note 35).

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

During the current period there was an impairment of other intangible assets of £0.1 million (2014: £nil) and a reversal of past impairment of £0.2 million (2014: £nil).

	Acquired brands £m	Lease premiums £m	Computer software £m	Development costs £m	Total £m
Cost					
At 6 October 2013	19.3	2.0	8.8	0.1	30.2
Additions	–	–	2.4	–	2.4
Net transfers to assets held for sale and disposals	–	(0.3)	(1.9)	–	(2.2)
At 4 October 2014	**19.3**	**1.7**	**9.3**	**0.1**	**30.4**
Amortisation					
At 6 October 2013	–	1.4	4.7	–	6.1
Charge for the period	–	0.1	1.1	–	1.2
Net transfers to assets held for sale and disposals	–	(0.3)	(1.7)	–	(2.0)
At 4 October 2014	**–**	**1.2**	**4.1**	**–**	**5.3**
Net book amount at 5 October 2013	19.3	0.6	4.1	0.1	24.1
Net book amount at 4 October 2014	**19.3**	**0.5**	**5.2**	**0.1**	**25.1**

11 OTHER INTANGIBLE ASSETS (CONTINUED)

The carrying value of acquired brands is split as follows:

	2015 £m	2014 £m
Wychwood	**13.6**	13.6
Jennings	**2.8**	2.8
Ringwood	**2.9**	2.9
Thwaites	**12.8**	–
	32.1	19.3

Acquired brands relate to Brewing.

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 6.0% (2014: 7.5%) and a long-term growth rate used to extrapolate cash flows beyond the cash flow projection period of one year of 2.0% (2014: 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 5 October 2014	1,826.9	53.7	293.3	2,173.9
Additions	102.4	6.1	35.1	143.6
Acquisitions	2.0	2.0	2.1	6.1
Net transfers to assets held for sale and disposals	(41.2)	(1.8)	(28.5)	(71.5)
Revaluation	58.4	–	–	58.4
At 3 October 2015	**1,948.5**	**60.0**	**302.0**	**2,310.5**
Depreciation				
At 5 October 2014	3.7	24.3	155.9	183.9
Charge for the period	2.2	4.7	29.4	36.3
Net transfers to assets held for sale and disposals	–	(1.8)	(26.8)	(28.6)
Revaluation/impairment	(4.4)	–	0.7	(3.7)
At 3 October 2015	**1.5**	**27.2**	**159.2**	**187.9**
Net book amount at 4 October 2014	1,823.2	29.4	137.4	1,990.0
Net book amount at 3 October 2015	**1,947.0**	**32.8**	**142.8**	**2,122.6**

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 6 October 2013	1,889.6	49.4	310.5	2,249.5
Additions	107.5	6.8	29.2	143.5
Net transfers to assets held for sale and disposals	(176.4)	(2.5)	(46.4)	(225.3)
Revaluation	6.2	–	–	6.2
At 4 October 2014	**1,826.9**	**53.7**	**293.3**	**2,173.9**
Depreciation				
At 6 October 2013	1.9	22.7	161.3	185.9
Charge for the period	2.0	4.1	29.0	35.1
Net transfers to assets held for sale and disposals	–	(2.5)	(35.2)	(37.7)
Revaluation/impairment	(0.2)	–	0.8	0.6
At 4 October 2014	**3.7**	**24.3**	**155.9**	**183.9**
Net book amount at 5 October 2013	1,887.7	26.7	149.2	2,063.6
Net book amount at 4 October 2014	**1,823.2**	**29.4**	**137.4**	**1,990.0**

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

	2015 £m	2014 £m
Freehold properties	**1,662.1**	1,578.3
Leasehold properties over 50 years unexpired	**237.8**	215.5
Leasehold properties under 50 years unexpired	**47.1**	29.4
	1,947.0	1,823.2

Cost or valuation of land and buildings comprises:

	2015 £m	2014 £m
Valuation	**1,902.9**	1,647.2
At cost	**45.6**	179.7
	1,948.5	1,826.9

If the freehold and leasehold properties had not been revalued, the historical cost net book amount would be £1,450.6 million (2014: £1,325.9 million).

Cost at 3 October 2015 includes £25.4 million (2014: £25.8 million) of assets in the course of construction.

Interest costs of £1.3 million (2014: £1.5 million) were capitalised in respect of the financing of major projects.

The net profit on disposal of property, plant and equipment, intangible assets and assets held for sale was £9.2 million (2014: loss of £46.5 million). A profit on disposal of £10.6 million (2014: £8.1 million) is included within the Group's underlying results.

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £11.4 million (2014: £9.0 million).

The net book amount of land and buildings held under finance leases at 3 October 2015 was £28.0 million (2014: £21.8 million). 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 £251.1 million (2014: £161.2 million).

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation/impairment
At 1 February 2015 independent chartered surveyors revalued the Group's freehold and leasehold properties on an open market value basis. These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been recognised in the revaluation reserve or income statement as appropriate.

During the current and prior 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.

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

	2015 £m	2014 £m
Income statement:		
Revaluation loss charged as an impairment	**(60.1)**	(7.4)
Reversal of past impairment	**26.3**	–
	(33.8)	(7.4)
Revaluation reserve:		
Unrealised revaluation surplus	**216.5**	16.4
Reversal of past revaluation surplus	**(120.6)**	(3.4)
	95.9	13.0
Net increase in shareholders' equity/property, plant and equipment	**62.1**	5.6

Fair value of land and buildings
IFRS 13 'Fair Value Measurement' 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 the fair value measurements of land and buildings have been categorised:

	2015				2014			
Recurring fair value measurements	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Land and buildings:								
Specialised brewery properties	**–**	**–**	**25.0**	**25.0**	–	–	23.7	23.7
Other land and buildings	**–**	**1,922.0**	**–**	**1,922.0**	–	1,799.5	–	1,799.5
	–	**1,922.0**	**25.0**	**1,947.0**	–	1,799.5	23.7	1,823.2

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior period.

The Level 2 fair values of land and buildings have been obtained using a market approach, primarily using earnings multiples derived from prices in observed transactions involving comparable businesses.

The Level 3 fair values of the specialised brewery properties have been obtained using a cost approach. These breweries represent properties that are rarely, if ever, sold in the market, except by way of a sale of the business of which they are part, due to the uniqueness arising from their specialised nature, design and configuration. As such the valuation of these properties has been performed using the depreciated replacement cost approach, which values the properties at the current cost of replacing them with their modern equivalents less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The significant unobservable inputs to the Level 3 fair value measurements are:

	Sensitivity of fair value to unobservable inputs
Current cost of modern equivalent asset	The higher the cost the higher the fair value
Amount of adjustment for physical deterioration/obsolescence	The higher the adjustment the lower the fair value

Level 3 recurring fair value measurements	**2015 £m**	2014 £m
At beginning of the period	**23.7**	23.7
Additions	**0.4**	0.3
Revaluation	**1.2**	–
Depreciation charge for the period	**(0.3)**	(0.3)
At end of the period	**25.0**	23.7

The Group's properties are revalued by external independent qualified valuers at least once in each rolling three year period. The last external valuation of the Group's freehold and leasehold properties was performed as at 1 February 2015. The Group has an internal team of qualified valuers and at each reporting date the estate is reviewed for any indication of significant changes in value. Where this is the case internal valuations are performed on a basis consistent with those performed externally.

13 OTHER NON-CURRENT ASSETS

Trade loans	**2015 £m**	2014 £m
At beginning of the period	**11.5**	12.8
Additions	**2.1**	2.3
Acquisitions	**3.0**	–
Disposals, repayments and impairments	**(4.5)**	(3.6)
At end of the period	**12.1**	11.5

Other non-current assets are shown net of a provision of £2.4 million (2014: £1.7 million).

14 INVENTORIES

	2015 £m	2014 £m
Raw materials and consumables	**6.8**	5.6
Work in progress	**0.5**	0.7
Finished goods	**20.9**	16.7
	28.2	23.0

15 ASSETS HELD FOR SALE

	2015 £m	2014 £m
Properties	**18.0**	38.3

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', properties categorised as held for sale have been written down to their fair value less costs to sell. This is a non-recurring fair value measurement falling within Level 2 of the fair value hierarchy. These Level 2 fair values have been obtained using a market approach, and are derived from sales prices in recent transactions involving comparable properties.

During the current and prior period, all properties classed as held for sale were reviewed for impairment or reversal of impairment. This review identified an impairment of £5.0 million (2014: £23.7 million) and a reversal of past impairment of £0.1 million (2014: £nil) which have been recognised in the income statement.

16 TRADE AND OTHER RECEIVABLES

	2015 £m	2014 £m
Trade receivables	**41.2**	32.6
Prepayments and accrued income	**29.3**	24.7
Other receivables	**13.8**	15.6
	84.3	72.9

Trade receivables are shown net of a provision of £1.3 million (2014: £0.8 million). Other receivables are shown net of a provision of £2.7 million (2014: £3.7 million).

The ageing analysis of trade receivables is as follows:

	2015 £m	2014 £m
Neither past due nor impaired	**32.8**	25.5
30 days or less	**2.9**	3.1
31 to 60 days	**1.9**	1.0
Greater than 60 days	**3.6**	3.0
	41.2	32.6

Included within other receivables is an amount of £6.3 million (2014: £6.3 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 3 October 2015 the value of collateral held in the form of cash deposits was £7.8 million (2014: £8.2 million).

17 BORROWINGS

Current	2015 £m	2014 £m
Unsecured bank borrowings	**7.8**	6.8
Securitised debt	**26.2**	24.8
Finance leases	**0.1**	0.1
Other lease related borrowings	**(0.1)**	(0.1)
Other borrowings	**120.0**	120.0
	154.0	151.6

Non-current	2015 £m	2014 £m
Unsecured bank borrowings	**248.2**	209.5
Securitised debt	**833.6**	859.8
Finance leases	**20.6**	20.7
Other lease related borrowings	**181.6**	137.4
Preference shares	**0.1**	0.1
	1,284.1	1,227.5

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

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

17 BORROWINGS (CONTINUED)

Other borrowings represent amounts drawn down under the securitisation's liquidity facility. During the prior period the facility's provider, the Royal Bank of Scotland Group plc, had its short-term credit rating downgraded below the minimum prescribed in the facility agreement and as such the Group exercised its entitlement to draw the full amount of the facility and hold it in a designated bank account. The corresponding balance of £120.0 million (2014: £120.0 million) held in this bank account is included within cash and cash equivalents.

The Group has 75,000 (2014: 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.

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:

	2015			2014		
Due:	**Gross borrowings £m**	**Unamortised issue costs £m**	**Net borrowings £m**	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m
Within one year	**155.5**	**(1.5)**	**154.0**	153.1	(1.5)	151.6
In more than one year but less than two years	**58.5**	**(1.6)**	**56.9**	26.8	(1.5)	25.3
In more than two years but less than five years	**315.6**	**(2.9)**	**312.7**	302.5	(3.5)	299.0
In more than five years	**931.2**	**(16.7)**	**914.5**	917.8	(14.6)	903.2
	1,460.8	**(22.7)**	**1,438.1**	1,400.2	(21.1)	1,379.1

Fair value of borrowings

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

	Carrying amount		**Fair value**	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Unsecured bank borrowings	**258.7**	219.6	**258.7**	219.6
Securitised debt	**866.2**	891.6	**892.2**	923.7
Finance leases	**20.7**	20.8	**20.7**	20.8
Other lease related borrowings	**195.1**	148.1	**195.1**	148.1
Other borrowings	**120.0**	120.0	**120.0**	120.0
Preference shares	**0.1**	0.1	**0.1**	0.1
	1,460.8	1,400.2	**1,486.8**	1,432.3

The fair value of the Group's securitised debt is based on quoted market prices and is within Level 1 of the fair value hierarchy. The fair values of all of the Group's other borrowings approximate to their carrying amounts and are within Level 2 of the fair value hierarchy.

18 DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps	**2015 £m**	2014 £m
Current liabilities	**(25.7)**	(19.5)
Non-current liabilities	**(167.0)**	(120.7)
	(192.7)	(140.2)

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. On 15 January 2014 all of the AB1 notes were repurchased by the Group at par and immediately cancelled.

During the period ended 3 October 2015, 106 (2014: 173) of the securitised pubs were sold to third parties, 3 pubs (2014: 197) were sold to other members of the Group and no pubs (2014: 6) were acquired from other members of the Group. The carrying amount of the securitised pubs at 3 October 2015 was £1,230.8 million (2014: £1,260.5 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 tranches of securitised debt have the following principal terms:

Tranche	**2015 £m**	2014 £m	Interest	Principal repayment period – by instalments	Expected average life	Expected maturity date
A1	**97.8**	115.1	Floating	2015 to 2020	5 years	2020
A2	**214.0**	214.0	Fixed/floating	2020 to 2027	12 years	2027
A3	**200.0**	200.0	Fixed/floating	2027 to 2032	17 years	2032
A4	**199.4**	207.5	Floating	2015 to 2031	16 years	2031
B	**155.0**	155.0	Fixed/floating	2032 to 2035	20 years	2035
	866.2	891.6				

The interest payable on each tranche is as follows:

Tranche	Before step up	After step up	Step up date
A1	3 month LIBOR + 0.55%	3 month LIBOR + 1.375%	July 2012
A2	5.1576%	3 month LIBOR + 1.32%	July 2019
A3	5.1774%	3 month LIBOR + 1.45%	April 2027
A4	3 month LIBOR + 0.65%	3 month LIBOR + 1.625%	October 2012
B	5.6410%	3 month LIBOR + 2.55%	July 2019

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. Upon buyback of the AB1 notes the associated floating-to-fixed interest rate swap held in respect of this tranche of debt was terminated.

At 3 October 2015 Marston's Pubs Limited held cash of £55.2 million (2014: £38.1 million), which was governed by certain restrictions under the covenants associated with the securitisation. In addition, Marston's Issuer PLC held cash of £120.2 million (2014: £120.2 million), principally in respect of the amounts drawn down under the liquidity facility.

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

20 FINANCIAL INSTRUMENTS

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

At 3 October 2015	Loans and receivables £m	Total £m
Assets as per the balance sheet		
Trade receivables (before provision)	42.5	42.5
Other receivables (before provision)	16.5	16.5
Trade loans (before provision)	14.5	14.5
Cash and cash equivalents	193.1	193.1
	266.6	**266.6**

At 3 October 2015	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	167.0	25.7	–	192.7
Borrowings	–	–	1,438.1	1,438.1
Trade payables	–	–	88.1	88.1
Other payables	–	–	16.0	16.0
	167.0	**25.7**	**1,542.2**	**1,734.9**

At 4 October 2014	Loans and receivables £m	Total £m
Assets as per the balance sheet		
Trade receivables (before provision)	33.4	33.4
Other receivables (before provision)	19.3	19.3
Trade loans (before provision)	13.2	13.2
Cash and cash equivalents	180.9	180.9
	246.8	**246.8**

At 4 October 2014	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	120.7	19.5	–	140.2
Borrowings	–	–	1,379.1	1,379.1
Trade payables	–	–	67.4	67.4
Other payables	–	–	15.7	15.7
	120.7	**19.5**	**1,462.2**	**1,602.4**

20 FINANCIAL INSTRUMENTS (CONTINUED)

Fair values of financial instruments
The only financial instruments which the Group holds at fair value are derivative financial instruments, which are classified as at fair value through profit or loss or derivatives used for hedging.

IFRS 13 'Fair Value Measurement' 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:

	2015				2014			
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	**–**	**192.7**	**–**	**192.7**	–	140.2	–	140.2

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior period.

The Level 2 fair values of derivative financial instruments have been obtained using a market approach and reflect the estimated amount the Group would expect to pay or receive on termination of the instruments. The Group obtains such valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

The fair values of all non-derivative financial instruments are equal to their book values, with the exception of borrowings (note 17). The carrying amount less impairment provision of trade receivables, other receivables and trade loans, and the carrying amount of trade payables and other payables, are assumed to approximate their fair values.

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 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 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 3 October 2015, with all other variables held constant, post-tax profit/(loss) for the period would have been £0.4 million (2014: £0.4 million) lower/higher as a result of higher/lower interest expense.

NOTES CONTINUED
FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

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 3 October 2015 totalled £297.2 million (2014: £322.6 million). These interest rate swaps, including borrowing margins, fix interest at 6.2% and 6.1%. The movement in fair value recognised in other comprehensive income in the period was a loss of £43.9 million (2014: £22.1 million). The movement in fair value recognised in the income statement in the period was a loss of £2.4 million (2014: £4.5 million).

During the prior period the Group repurchased all of its securitised AB1 notes at par. The notes were immediately cancelled and the associated floating-to-fixed interest rate swap held in respect of this tranche of securitised debt was terminated. This swap had been designated as a cash flow hedge of the forecast floating rate interest payments arising in respect of the AB1 notes. As these forecast transactions were no longer expected to occur the cumulative hedging loss of £24.7 million that had been reported in equity was transferred to the income statement.

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 fixed interest at 5.5% and 5.6% and terminated on 1 October 2014. The movement in fair value recognised in the income statement in the period was a gain of £nil (2014: £6.8 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 were 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. The movement in fair value recognised in the income statement in the period was a loss of £nil (2014: £6.8 million).

On the same date 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. These interest rate swaps originally fixed interest at 4.1% and were due to terminate on 30 April 2020. In the prior period the termination date of the swaps was extended to 28 April 2023 and the terms were amended to fix interest at 3.0% until 28 April 2016 and 4.5% thereafter. In total, the fair value of the two swaps at inception was £(18.9) million. These swaps had previously been designated as part of a hedging relationship; however this designation was revoked at the start of the prior period. The movement in fair value recognised in the income statement in the period was a loss of £6.2 million (2014: £3.7 million).

The interest rate risk profile, after taking account of derivative financial instruments, is as follows:

	2015			2014		
	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	**474.5**	**986.3**	**1,460.8**	388.5	1,011.7	1,400.2

The weighted average interest rate of the fixed rate financial borrowings was 5.3% (2014: 5.4%) and the weighted average period for which the rate is fixed was 14 years (2014: 15 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 tables below analyse 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 tables are the contractual undiscounted cash flows.

At 3 October 2015	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings	212.6	116.6	471.1	1,582.3	2,382.6
Derivative financial instruments	15.3	14.2	47.5	139.5	216.5
Trade payables	88.1	–	–	–	88.1
Other payables	16.0	–	–	–	16.0
	332.0	**130.8**	**518.6**	**1,721.8**	**2,703.2**

At 4 October 2014	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings	205.8	82.6	467.6	1,534.1	2,290.1
Derivative financial instruments	14.6	12.2	28.3	112.6	167.7
Trade payables	67.4	–	–	–	67.4
Other payables	15.7	–	–	–	15.7
	303.5	**94.8**	**495.9**	**1,646.7**	**2,540.9**

21 TRADE AND OTHER PAYABLES

	2015 £m	2014 £m
Trade payables	**88.1**	67.4
Other taxes and social security	**24.4**	22.9
Accruals and deferred income	**56.7**	51.0
Other payables	**16.0**	15.7
	185.2	157.0

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

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% (2014: 20%). The movement on the deferred tax accounts is shown below:

	2015 £m	2014 £m
At beginning of the period	**82.2**	88.2
Credited to the income statement	**(4.4)**	(9.0)
Charged/(credited) to equity:		
Impairment and revaluation of properties	**18.5**	2.0
Hedging reserve	**(8.7)**	0.5
Retirement benefits	**1.4**	0.5
At end of the period	**89.0**	82.2

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12 'Income Taxes') 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	Pensions £m	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Other £m	Total £m
At 5 October 2014	1.6	29.8	95.6	1.3	3.0	131.3
Charged to the income statement	–	0.5	1.3	2.0	1.8	5.6
Charged to equity	1.4	–	18.5	–	–	19.9
At 3 October 2015	**3.0**	**30.3**	**115.4**	**3.3**	**4.8**	**156.8**

Deferred tax assets	Tax losses £m	Hedging reserve £m	Other £m	Total £m
At 5 October 2014	(24.1)	(23.3)	(1.7)	(49.1)
Credited to the income statement	(6.3)	–	(3.7)	(10.0)
Credited to equity	–	(8.7)	–	(8.7)
At 3 October 2015	**(30.4)**	**(32.0)**	**(5.4)**	**(67.8)**

Net deferred tax liability	
At 4 October 2014	82.2
At 3 October 2015	**89.0**

22 DEFERRED TAX (CONTINUED)

Deferred tax liabilities	Pensions £m	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Other £m	Total £m
At 6 October 2013	–	31.1	98.5	0.7	5.2	135.5
Charged/(credited) to the income statement	1.1	(1.3)	(4.9)	0.6	(2.2)	(6.7)
Charged to equity	0.5	–	2.0	–	–	2.5
At 4 October 2014	**1.6**	**29.8**	**95.6**	**1.3**	**3.0**	**131.3**

Deferred tax assets	Pensions £m	Tax losses £m	Hedging reserve £m	Other £m	Total £m
At 6 October 2013	(1.0)	(20.7)	(23.8)	(1.8)	(47.3)
Charged/(credited) to the income statement	1.0	(3.4)	–	0.1	(2.3)
Charged to equity	–	–	0.5	–	0.5
At 4 October 2014	**–**	**(24.1)**	**(23.3)**	**(1.7)**	**(49.1)**

Net deferred tax liability	
At 5 October 2013	88.2
At 4 October 2014	**82.2**

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

	2015 £m	2014 £m
Other liabilities	**1.8**	2.9

24 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Property leases	2015 £m	2014 £m
At beginning of the period	**39.1**	13.6
Released in the period	**(6.3)**	–
Provided in the period	**13.5**	28.0
Unwinding of discount	**1.2**	0.7
Utilised in the period	**(6.0)**	(3.2)
At end of the period	**41.5**	39.1

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 77 years (2014: 1 to 78 years).

In the current period the £4.9 million increase in the provision as a result of updating the discount and inflation rate assumptions used in the calculations has been classified as a non-underlying item. In the prior period the net provision made of £28.0 million was classified as a non-underlying item (note 4).

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

25 RETIREMENT BENEFITS

During the period the Group contributed to a funded defined benefit pension plan and a number of defined contribution pension plans.

Defined contribution plans

Pension costs for defined contribution plans are as follows:

	2015 £m	2014 £m
Defined contribution plans	**6.3**	4.3

Defined benefit plan

The Marston's PLC Pension and Life Assurance Scheme is a final salary pension plan which provides benefits to members in the form of a guaranteed level of pension payable for life. The plan closed to future accrual on 30 September 2014 and the link to future salary increases was also removed.

The plan operates under the UK regulatory framework and is governed by a board of Trustees composed of plan participants and representatives of the Group. The Trustees make investment decisions and set the required contribution rates based on independent actuarial advice.

The key risks to which the plan exposes the Group are as follows:

- Volatility of plan assets
- Changes in bond yields
- Inflation risk
- Changes in life expectancy

The movements in the fair value of plan assets and the present value of the defined benefit obligation during the period were:

	Fair value of plan assets		Present value of defined benefit obligation		Net surplus/ (deficit)	
	2015 £m	2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
At beginning of the period	**453.6**	427.8	**(445.8)**	(432.9)	**7.8**	(5.1)
Current service cost	**–**	–	**–**	(2.1)	**–**	(2.1)
Interest income/(expense)	**18.0**	18.6	**(17.4)**	(18.5)	**0.6**	0.1
Remeasurements:						
Return on plan assets (excluding interest income)	**19.6**	14.0	**–**	–	**19.6**	14.0
Effect of changes in demographic assumptions	**–**	–	**5.5**	(0.4)	**5.5**	(0.4)
Effect of changes in financial assumptions	**–**	–	**(20.4)**	(26.2)	**(20.4)**	(26.2)
Effect of experience adjustments	**–**	–	**(11.4)**	–	**(11.4)**	–
Past service cost	**–**	–	**–**	12.9	**–**	12.9
Cash flows:						
Employer contributions	**14.0**	15.2	**–**	–	**14.0**	15.2
Employee contributions	**–**	0.1	**–**	(0.1)	**–**	–
Administrative expenses paid from plan assets	**(0.7)**	(0.6)	**–**	–	**(0.7)**	(0.6)
Benefits paid	**(21.8)**	(21.5)	**21.8**	21.5	**–**	–
At end of the period	**482.7**	453.6	**(467.7)**	(445.8)	**15.0**	7.8

Pension costs recognised in the income statement

A credit of £nil (2014: £10.8 million) comprising the current service cost and the past service cost is included within employee costs (note 5) and a charge of £0.1 million (2014: £0.5 million) comprising the net interest on the net defined benefit asset/liability and the administrative expenses paid from plan assets is included within net finance costs (note 6).

A negative past service cost of £11.2 million was recognised in the prior period due to the closure of the plan to future accrual at 30 September 2014 and the cutting of the link to future salary increases with effect from this date. The net credit of £10.8 million comprising this negative past service cost less the associated costs of £0.4 million was classed as a non-underlying item (note 4).

25 RETIREMENT BENEFITS (CONTINUED)

An updated actuarial valuation of the plan was performed by Mercer as at 3 October 2015 for the purposes of IAS 19 'Employee Benefits'. The principal assumptions made by the actuaries were:

	2015	2014
Discount rate	**3.7%**	4.0%
Rate of increase in pensionable salaries	**N/A**	3.6%
Rate of increase in pensions – 5% LPI	**2.9%**	3.0%
Rate of increase in pensions – 2.5% LPI	**2.1%**	2.1%
Inflation assumption (RPI)	**3.0%**	3.1%
Inflation assumption (CPI)	**2.0%**	2.1%
Employed deferred revaluation	**2.0%**	2.1%
Life expectancy for deferred members from age 65 (years)		
Male	**23.3**	23.6
Female	**25.8**	26.0
Life expectancy for current pensioners from age 65 (years)		
Male	**21.6**	21.8
Female	**23.9**	24.1

Mortality assumptions are based on standard tables adjusted for plan experience and with an allowance for future improvement in life expectancy.

The sensitivity of the defined benefit obligation to changes in the principal actuarial assumptions is:

	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.9%	Increase by 4.2%
Inflation assumption	0.25%	Increase by 2.4%	Decrease by 1.9%
Life expectancy	One year	Increase by 3.2%	Decrease by 3.2%

The above sensitivity analyses have been determined by changing one assumption while holding all other assumptions constant. This is unlikely to be the case in practice as changes in some of the assumptions could be correlated. When calculating the above sensitivities the same method has been applied as when calculating the net defined benefit asset/liability in the balance sheet i.e. the present value of the defined benefit obligation calculated using the Projected Unit Credit Method.

Plan assets are comprised as follows:

	2015 £m	2014 £m
Equities/Properties	**139.8**	197.2
Bonds/Gilts	**272.9**	203.6
Cash/Other	**21.2**	4.8
Buy-in policy (matching annuities)	**48.8**	48.0
	482.7	453.6

The actual return on plan assets was a gain of £37.6 million (2014: £32.6 million).

A proportion of the defined benefit obligation has been secured by a buy-in policy and as such this proportion of liabilities is matched by annuities.

The Trustees of the plan hold a range of assets and are aiming to better align the cash flows from these to those of the plan. They are also working with the Group to de-risk their portfolio further. To this end changes to the allocation of assets have occurred during the current period.

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

25 RETIREMENT BENEFITS (CONTINUED)

The Group is aiming to eliminate the plan's funding deficit by 2021. During the current period lump sums of £1.1 million per month were paid into the plan. A new schedule of contributions has been agreed as part of the 30 September 2014 triennial valuation and contributions of £0.5 million per month are payable until 30 September 2018 as well as payment of the plan's expenses. These contributions may continue until 2030 depending on the plan's funding position. The Group has also agreed to pledge additional security for the next six years beginning in 2015. The next triennial valuation will be performed as at 30 September 2017.

The employer contributions expected to be paid during the financial period ending 1 October 2016 amount to £8.0 million.

The weighted average duration of the defined benefit obligation is 17 years.

Post-retirement medical benefits
A gain of £nil (2014: £0.1 million) in respect of the remeasurement of post-retirement medical benefits has been included in the statement of comprehensive income.

26 SHARE-BASED PAYMENTS

During the period there were two 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) 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, return on capital, free cash flow and relative total shareholder return, as set out in the Directors' Remuneration Report on pages 44 to 46, 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 subsequent years may 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 held on trust but these additional shares are not generally delivered to the participant. Under these rules the LTIP options are still issued at nil cost to the employee.

The tables below summarise the outstanding share options.

	Number of shares		Weighted average exercise price	
SAYE:	**2015 m**	2014 m	**2015 p**	2014 p
Outstanding at beginning of the period	**6.5**	5.1	**102.1**	90.2
Granted	**2.4**	2.6	**136.0**	121.0
Exercised	**(1.9)**	(0.8)	**78.2**	85.9
Expired	**(0.6)**	(0.4)	**117.3**	99.7
Outstanding at end of the period	**6.4**	6.5	**120.9**	102.1
Exercisable at end of the period	**0.2**	0.2	**82.3**	128.3
Range of exercise prices	**76.1p to 136.0p**	76.1p to 265.5p		
Weighted average remaining contractual life (years)	**3.1**	2.8		

26 SHARE-BASED PAYMENTS (CONTINUED)

LTIP:	Number of shares 2015 m	Number of shares 2014 m	Weighted average exercise price 2015 p	Weighted average exercise price 2014 p
Outstanding at beginning of the period	**4.6**	4.2	**–**	–
Granted	**1.6**	1.8	**–**	–
Exercised	**–**	(0.6)	**–**	–
Expired	**(0.2)**	(0.8)	**–**	–
Outstanding at end of the period	**6.0**	4.6	**–**	–
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 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:

	2015	2014
Dividend yield %	**4.6**	4.5
Expected volatility %	**18.4 to 20.0**	20.1 to 28.2
Risk-free interest rate %	**1.0 to 1.4**	1.3 to 2.1
Expected life of rights		
SAYE	**3 to 5 years**	3 to 5 years
LTIP	**3 years**	3 years

The expected volatility is based on historical volatility over the expected life of the rights.

The weighted average fair value of options granted during the period in relation to the SAYE was 15.2p (2014: 16.2p). The fair value of options granted during the period in relation to the LTIP was 142.6p (2014: 123.3p).

The weighted average share price for options exercised over the period was 151.1p (2014: 146.3p). The total charge for the period relating to employee share-based payment plans was £0.8 million (2014: £0.7 million), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £0.7 million (2014: £0.6 million).

27 EQUITY SHARE CAPITAL

Allotted, called up and fully paid	2015 Number m	2015 Value £m	2014 Number m	2014 Value £m
Ordinary shares of 7.375p each:				
At beginning of the period	**602.8**	**44.4**	602.6	44.4
Allotted under share option schemes	**–**	**–**	0.2	–
At end of the period	**602.8**	**44.4**	602.8	44.4

A total of nil (2014: 0.2 million) ordinary shares were issued during the period ended 3 October 2015 pursuant to the exercise of SAYE share options. The aggregate consideration in respect of these exercises was £nil (2014: £0.2 million).

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

28 OTHER COMPONENTS OF EQUITY

The capital redemption reserve of £6.8 million (2014: £6.8 million) arose on share buybacks.

Own shares represent the carrying value of the investment in treasury shares and shares held on trust for employee share schemes (including executive share option schemes) as set out in the table below. The trustees of the schemes are Banks's Brewery Insurance Limited, a wholly-owned subsidiary of Marston's PLC, and Computershare Trustees (C.I.) Limited.

	2015		2014	
	Number m	**Value £m**	Number m	Value £m
Shares held on trust for employee share schemes	**1.2**	**2.7**	1.2	2.7
Treasury shares	**27.7**	**116.0**	29.6	124.1
	28.9	**118.7**	30.8	126.8

The market value of own shares held is £44.2 million (2014: £44.0 million). Shares held on trust for employee share schemes represent 0.2% (2014: 0.2%) of issued share capital. Treasury shares held represent 4.6% (2014: 4.9%) 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

Working capital movement	**2015 £m**	2014 £m
Increase in inventories	**(2.3)**	(1.5)
Increase in trade and other receivables	**(12.4)**	(3.9)
Increase/(decrease) in trade and other payables	**25.4**	(18.3)
	10.7	(23.7)

Non-cash movements	**2015 £m**	2014 £m
Income from other non-current assets	**(0.2)**	(0.2)
Movements in respect of property, plant and equipment, assets held for sale and intangible assets	**29.4**	77.6
Share-based payments	**0.8**	0.7
	30.0	78.1

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	2015 £m	Cash flow £m	Non-cash movements and deferred issue costs £m	2014 £m
Cash and cash equivalents				
Cash at bank and in hand	**193.1**	12.2	–	180.9
Bank overdrafts	**(8.7)**	(1.1)	–	(7.6)
	184.4	11.1	–	173.3
Debt due within one year				
Unsecured bank borrowings	**0.9**	–	0.1	0.8
Securitised debt	**(26.2)**	25.4	(26.8)	(24.8)
Finance leases	**(0.1)**	0.1	(0.1)	(0.1)
Other lease related borrowings	**0.1**	–	–	0.1
Other borrowings	**(120.0)**	–	–	(120.0)
	(145.3)	25.5	(26.8)	(144.0)
Debt due after one year				
Unsecured bank borrowings	**(248.2)**	(38.0)	(0.7)	(209.5)
Securitised debt	**(833.6)**	–	26.2	(859.8)
Finance leases	**(20.6)**	–	0.1	(20.7)
Other lease related borrowings	**(181.6)**	(47.0)	2.8	(137.4)
Preference shares	**(0.1)**	–	–	(0.1)
	(1,284.1)	(85.0)	28.4	(1,227.5)
Net debt	**(1,245.0)**	(48.4)	1.6	(1,198.2)

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. Unsecured bank borrowings due after one year represent amounts drawn down under the Group's revolving credit facilities, 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'.

Other borrowings represent amounts drawn down under the securitisation's liquidity facility. During the prior period the facility's provider, the Royal Bank of Scotland Group plc, had its short-term credit rating downgraded below the minimum prescribed in the facility agreement and as such the Group exercised its entitlement to draw the full amount of the facility and hold it in a designated bank account. The corresponding balance of £120.0 million (2014: £120.0 million) held in this bank account is included within cash and cash equivalents. The amounts drawn down can only be used for the purpose of meeting the securitisation's debt service obligations should there ever be insufficient funds available from operations to meet such payments. As such these amounts are considered to be restricted cash.

Included within cash and cash equivalents is an amount of £1.6 million (2014: £1.4 million) relating to a letter of credit with Royal Sun Alliance Insurance, an amount of £1.0 million (2014: £1.0 million) relating to a letter of credit with Aviva, and an amount of £7.8 million (2014: £8.2 million) relating to collateral held in the form of cash deposits. These amounts are also considered to be restricted cash.

In addition, any other cash held in connection with the securitised business is governed by certain restrictions under the covenants associated with the securitisation (note 19).

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

30 NET DEBT (CONTINUED)

Reconciliation of net cash flow to movement in net debt	2015 £m	2014 £m
Increase in cash and cash equivalents in the period	**11.1**	79.2
Cash inflow from movement in debt	**(59.5)**	(90.4)
Change in debt resulting from cash flows	**(48.4)**	(11.2)
Non-cash movements and deferred issue costs	**1.6**	4.0
Movement in net debt in the period	**(46.8)**	(7.2)
Net debt at beginning of the period	**(1,198.2)**	(1,191.0)
Net debt at end of the period	**(1,245.0)**	(1,198.2)

Reconciliation of net debt before lease financing to net debt	2015 £m	2014 £m
Cash and cash equivalents	**193.1**	180.9
Unsecured bank borrowings (including bank overdrafts)	**(256.0)**	(216.3)
Securitised debt	**(859.8)**	(884.6)
Other borrowings	**(120.0)**	(120.0)
Preference shares	**(0.1)**	(0.1)
Net debt before lease financing	**(1,042.8)**	(1,040.1)
Finance leases	**(20.7)**	(20.8)
Other lease related borrowings	**(181.5)**	(137.3)
Net debt	**(1,245.0)**	(1,198.2)

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:

	2015		2014	
Due:	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	**27.2**	**0.6**	25.0	0.4
In more than one year but less than five years	**73.3**	**0.4**	73.2	0.4
In more than five years	**258.2**	**–**	189.3	–
	358.7	**1.0**	287.5	0.8

31 OPERATING LEASES (CONTINUED)

The Group as lessor

The Group leases a proportion of its licensed estate and other unlicensed properties to tenants. The majority of lease agreements have terms of 21 years or less and are classified as operating leases. Future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2015		2014	
Due:	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	**23.8**	**–**	24.5	–
In more than one year but less than five years	**73.6**	**–**	74.2	–
In more than five years	**104.7**	**–**	107.1	–
	202.1	**–**	205.8	–

32 FINANCE LEASES

The Group leases a number of 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:	2015 £m	2014 £m
Within one year	**1.2**	1.2
In more than one year but less than five years	**5.0**	4.9
In more than five years	**38.9**	40.2
	45.1	46.3
Future finance charges	**(24.4)**	(25.5)
Present value of finance lease obligations	**20.7**	20.8

The present value of finance lease obligations is as follows:

Due:	2015 £m	2014 £m
Within one year	**0.1**	0.1
In more than one year but less than five years	**0.6**	0.5
In more than five years	**20.0**	20.2
Present value of finance lease obligations	**20.7**	20.8

33 SUBSIDIARY UNDERTAKINGS

Details of the Group's subsidiary undertakings are provided in note 4 to the Company financial statements.

NOTES CONTINUED
FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

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 £6.8 million (2014: £8.4 million), of which £6.3 million (2014: £7.9 million) relates to CGT and £0.5 million (2014: £0.5 million) relates to SDLT.

The Group has issued a letter of credit in favour of Royal Sun Alliance Insurance totalling £1.6 million (2014: £1.4 million) and a letter of credit in favour of Aviva totalling £1.0 million (2014: £1.0 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 THWAITES ACQUISITION

On 17 April 2015, the Group acquired the trading operations of Daniel Thwaites PLC's beer division, including the two leading beer brands Wainwright and Lancaster Bomber. The acquisition is consistent with the Group's strategy to focus on popular premium ale brands, and provides further opportunities for growth in the developing free trade market.

The table below summarises the consideration paid, the provisional fair values of the assets acquired and liabilities assumed and the resulting goodwill.

	2015 £m
Brands	**12.8**
Property, plant and equipment	**6.1**
Trade loans	**3.0**
Inventories	**2.9**
Trade and other receivables	**1.1**
Trade and other payables	**(0.4)**
Goodwill	**3.3**
Cash consideration	**28.8**

All of the goodwill arising is expected to be deductible for tax purposes.

Acquisition related costs of £0.2 million have been recognised within other net operating charges.

If the acquisition date had been the beginning of the current period then the underlying revenue and profit of the Group for the current period would have been £868.2 million and £76.1 million respectively.

Since acquisition the Group has integrated the operations of the acquired business into the Group's existing operations. As a result it is impractical to isolate the revenue and profit of the acquired business that has been included in the Group statement of comprehensive income since the acquisition date.

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

REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

Our opinion

In our opinion, Marston's PLC's Parent Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Parent Company's affairs as at 3 October 2015;
- 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.

What we have audited

The financial statements, included within the Annual Report and Accounts (the 'Annual Report'), comprise:

- the Company Balance Sheet as at 3 October 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

OTHER REQUIRED REPORTING

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting

Under International Standards on Auditing (UK and Ireland) ('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 financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

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 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

Directors' Remuneration Report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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

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 62, the Directors are responsible for the preparation of the 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 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.

What an audit of financial statements involves

We conducted our audit in accordance with 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.

We primarily focus 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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited 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.

OTHER MATTER

We have reported separately on the Group financial statements of Marston's PLC for the period ended 3 October 2015.

Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
26 November 2015

COMPANY BALANCE SHEET

AS AT 3 OCTOBER 2015

	Note	3 October 2015 £m	4 October 2014 £m
Fixed assets			
Tangible assets	3	**350.4**	307.3
Investments	4	**260.9**	260.9
		611.3	568.2
Current assets			
Assets held for sale	5	**8.2**	13.5
Debtors			
Amounts falling due within one year	6	**548.7**	543.4
Amounts falling due after more than one year	6	**743.3**	685.6
Cash at bank		**13.1**	18.7
		1,313.3	1,261.2
Creditors Amounts falling due within one year	7	**(764.0)**	(734.3)
Net current assets		**549.3**	526.9
Total assets less current liabilities		**1,160.6**	1,095.1
Creditors Amounts falling due after more than one year	7	**(125.3)**	(127.7)
Provisions for liabilities and charges	8	**(14.3)**	(12.0)
Net assets		**1,021.0**	955.4
Capital and reserves			
Equity share capital	11	**44.4**	44.4
Share premium account	12	**334.0**	334.0
Revaluation reserve	12	**103.5**	59.8
Capital redemption reserve	12	**6.8**	6.8
Own shares	12	**(118.7)**	(126.8)
Profit and loss account	12	**651.0**	637.2
Total shareholders' funds	13	**1,021.0**	955.4

The financial statements on pages 115 to 124 were approved by the Board on 26 November 2015 and signed on its behalf by:

Ralph Findlay
Chief Executive Officer
26 November 2015

NOTES

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

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 a result of the issue by the Financial Reporting Council of revised financial reporting standards for the UK, the Company will be required to adopt a new accounting framework in its individual financial statements for the financial period ending 1 October 2016 and all subsequent periods. The Company intends to adopt FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and take advantage of the disclosure exemptions in paragraph 1.12 of that standard. Any objections to the use of these disclosure exemptions may be served in writing to the Company's registered office before 31 March 2016 by a shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in the Company.

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.

Revenue and other operating income
Revenue represents rent receivable from licensed properties, which is recognised in the period to which it relates. Other operating income comprises mainly rent receivable 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.

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.

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 their 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 three 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.

1 ACCOUNTING POLICIES (CONTINUED)

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.

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 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 prior 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.

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

3 TANGIBLE FIXED ASSETS

	Land and buildings £m	Fixtures, fittings, plant and equipment £m	Total £m
Cost or valuation			
At 5 October 2014	292.9	25.4	318.3
Additions	13.4	1.3	14.7
Net transfers to assets held for sale and disposals	(7.6)	(0.3)	(7.9)
Revaluation	35.8	–	35.8
Net transfers from Group undertakings	1.1	0.2	1.3
At 3 October 2015	**335.6**	**26.6**	**362.2**
Depreciation			
At 5 October 2014	2.2	8.8	11.0
Charge for the period	1.5	2.2	3.7
Net transfers to assets held for sale and disposals	–	(0.3)	(0.3)
Revaluation	(2.6)	–	(2.6)
At 3 October 2015	**1.1**	**10.7**	**11.8**
Net book value at 4 October 2014	290.7	16.6	307.3
Net book value at 3 October 2015	**334.5**	**15.9**	**350.4**

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

	2015 £m	2014 £m
Freehold properties	**237.1**	202.0
Leasehold properties over 50 years unexpired	**74.7**	75.2
Leasehold properties under 50 years unexpired	**22.7**	13.5
	334.5	290.7

Cost or valuation of land and buildings comprises:

	2015 £m	2014 £m
Valuation	**335.6**	254.5
At cost	**–**	38.4
	335.6	292.9

If the land and buildings had not been revalued, the historical cost net book value would be £242.7 million (2014: £242.8 million).

Cost at 3 October 2015 includes £3.5 million (2014: £2.5 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 £1.8 million (2014: £0.5 million).

The net book value of land and buildings held under finance leases at 3 October 2015 was £28.0 million (2014: £21.8 million). 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 £134.6 million (2014: £113.9 million).

3 TANGIBLE FIXED ASSETS (CONTINUED)

Revaluation/impairment
At 1 February 2015 independent chartered surveyors revalued the Company's freehold and leasehold properties on an open market value basis. These valuations have been incorporated into the financial statements and the resulting revaluation adjustments have been recognised in the revaluation reserve or profit and loss account as appropriate.

During the prior period various properties were reviewed for impairment and/or material changes in value. These valuation adjustments were recognised in the revaluation reserve or the profit and loss account as appropriate.

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

	2015 £m	2014 £m
Profit and loss account:		
Revaluation loss charged as an impairment	**(12.5)**	(0.9)
Reversal of past impairment	**3.5**	–
	(9.0)	(0.9)
Revaluation reserve:		
Unrealised revaluation surplus	**52.2**	11.7
Reversal of past revaluation surplus	**(4.8)**	(0.3)
	47.4	11.4
Net increase in shareholders' funds/fixed assets	**38.4**	10.5

4 FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m
Cost	
At 5 October 2014	316.5
Capital contribution in respect of equity-settled share-based payments	0.8
At 3 October 2015	**317.3**
Impairments	
At 5 October 2014	55.6
Charged in the period	0.8
At 3 October 2015	**56.4**
Net book value at 4 October 2014	260.9
Net book value at 3 October 2015	**260.9**

The cost and the accumulated impairment of fixed asset investments at 5 October 2014 have been restated to reflect the cumulative impact of capital contributions to Marston's Trading Limited in respect of equity-settled share-based payments and the associated impairment of these amounts.

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

4 FIXED ASSET INVESTMENTS (CONTINUED)

The Company had the following subsidiary undertakings at 3 October 2015:

	Country of incorporation	Nature of business	Class of share	Proportion of shares held directly by Marston's PLC	Proportion of shares held by the Group
Marston's Estates Limited	England and Wales	Property management	Ordinary 25p	100%	100%
Marston's Operating Limited	England and Wales	Pub retailer and brewer	Ordinary £1	–	100%
Marston's Property Developments Limited	England and Wales	Property developer	Ordinary £1	100%	100%
Marston's Pubs Limited	England and Wales	Pub retailer	Ordinary £1	–	100%
Marston's Pubs Parent Limited	England and Wales	Holding company	Ordinary £1	100%	100%
Marston's Telecoms Limited	England and Wales	Telecommunications	Ordinary £1	100%	100%
Marston's Trading Limited	England and Wales	Pub retailer and brewer	Ordinary £5	100%	100%
Banks's Brewery Insurance Limited	Guernsey	Insurance	Ordinary £1	100%	100%
Marston's Acquisitions Limited	England and Wales	Acquisition company	Ordinary 25p	100%	100%
			Preference £1	100%	100%
Marston's Issuer PLC	England and Wales	Financing company	Ordinary £1	–	–
Marston's Issuer Parent Limited	England and Wales	Holding company	Ordinary £1	–	–
Bluu Limited	England and Wales	Dormant	Ordinary £1	–	100%
Brasserie Restaurants Limited	England and Wales	Dormant	Ordinary £1	–	100%
Celtic Inns Holdings Limited	England and Wales	Dormant	Ordinary 1p	100%	100%
Celtic Inns Limited	England and Wales	Dormant	Ordinary £1	–	100%
Channel Wines and Spirits Limited	Guernsey	Dormant	Ordinary £1	–	100%
Eldridge, Pope & Co., Limited	England	Dormant	Ordinary 50p	–	100%
English Country Inns Limited	England and Wales	Dormant	Ordinary 50p	100%	100%
EP Investments 2004 Limited	England and Wales	Dormant	Ordinary 1p	–	100%
Fairdeed Limited	England and Wales	Dormant	'A' Ordinary £1	–	100%
Fayolle Limited	England and Wales	Dormant	Ordinary £1	–	100%
John Marston's Taverners Limited	England and Wales	Dormant	Ordinary £1	–	100%
Lambert Parker & Gaines Limited	England and Wales	Dormant	Ordinary £1	–	100%
Mansfield Brewery Limited	England	Dormant	Ordinary 25p	–	100%
Mansfield Brewery Properties Limited	England and Wales	Dormant	Ordinary £1	100%	100%
Mansfield Brewery Trading Limited	England and Wales	Dormant	Ordinary £1	–	100%
Marston, Thompson & Evershed Limited	England and Wales	Dormant	Ordinary 25p	–	100%
Osprey Inns Limited	England and Wales	Dormant	Ordinary £1	–	100%
Pitcher and Piano Limited	England and Wales	Dormant	Ordinary £1	–	100%
Porter Black (2003) Limited	England and Wales	Dormant	Ordinary £1	–	100%
QP Bars Limited	England and Wales	Dormant	Ordinary £1	–	100%
Refresh Group Limited	England and Wales	Dormant	Ordinary 1p	–	100%
Refresh UK Limited	England and Wales	Dormant	Ordinary 10p	–	100%
Ringwood Brewery Limited	England and Wales	Dormant	Ordinary £1	–	100%
S.K. Williams Limited	England	Dormant	Ordinary £1	–	100%
SDA Limited	England and Wales	Dormant	Ordinary £1	–	100%

4 FIXED ASSET INVESTMENTS (CONTINUED)

	Country of incorporation	Nature of business	Class of share	Proportion of shares held directly by Marston's PLC	Proportion of shares held by the Group
Sherwood Forest Properties Limited	England and Wales	Dormant	Ordinary £1	–	100%
Sovereign Inns Limited	England and Wales	Dormant	Ordinary £1	–	100%
The Gray Ox Limited	England and Wales	Dormant	Ordinary £1	–	100%
The Wychwood Brewery Company Limited	England and Wales	Dormant	Ordinary £1	–	100%
W&DB (Finance) PLC	England and Wales	Dormant	Ordinary £1	100%	100%
W. & D. plc	England and Wales	Dormant	Ordinary £1	100%	100%
Wizard Inns Limited	England and Wales	Dormant	'A' Ordinary 1p	100%	100%
			Deferred 1p	100%	100%
Wychwood Holdings Limited	England and Wales	Dormant	'A' Ordinary 1p	–	100%
			'B' Ordinary 1p	–	100%

All subsidiaries have been included in the consolidated financial statements.

Although the Group does not hold any shares in Marston's Issuer PLC and its parent company, Marston's Issuer Parent Limited, these companies are treated as subsidiary undertakings for the purpose of the consolidated financial statements as it is considered that they are controlled by the Group. Marston's Issuer PLC was set up with the sole purpose of issuing debt secured on the assets of Marston's Pubs Limited. Wilmington Trust SP Services (London) Limited holds the shares of Marston's Issuer Parent Limited under a declaration of trust for charitable purposes.

5 ASSETS HELD FOR SALE

	2015 £m	2014 £m
Properties	**8.2**	13.5

During the current and prior period, all properties classed as held for sale were reviewed for impairment. This review identified an impairment of £4.0 million (2014: £1.3 million) which has been recognised in the profit and loss account.

6 DEBTORS

Amounts falling due within one year	2015 £m	2014 £m
Amounts owed by Group undertakings	**522.2**	522.2
Derivative financial instruments	**25.7**	19.5
Other debtors	**0.8**	1.7
	548.7	543.4

Amounts falling due after more than one year	2015 £m	2014 £m
12.5% subordinated loan owed by Group undertakings	**743.3**	685.6

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

7 CREDITORS

Amounts falling due within one year	**2015 £m**	2014 £m
Amounts owed to Group undertakings	**699.0**	686.0
Interest owed to Group undertakings	**1.4**	–
Finance leases	**0.1**	0.1
Other lease related borrowings	**(0.1)**	(0.1)
Corporation tax	**31.0**	25.0
Derivative financial instruments	**25.7**	19.5
Accruals and deferred income	**5.8**	2.6
Other creditors	**1.1**	1.2
	764.0	734.3

Amounts falling due after more than one year	**2015 £m**	2014 £m
Finance leases	**20.6**	20.7
Other lease related borrowings	**87.8**	87.7
Preference shares	**0.1**	0.1
Accruals and deferred income	**15.5**	16.8
Other creditors	**1.3**	2.4
	125.3	127.7

The preference shares carry a right to a fixed preferential dividend. 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.

The amount of instalments falling due for payment after more than five years from the balance sheet date on debts repayable by instalments was £108.1 million (2014: £108.1 million). Debts of £0.1 million (2014: £0.1 million) were repayable otherwise than by instalments after more than five years from the balance sheet date.

8 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £m	**Property leases £m**	**Total £m**
At 5 October 2014	5.5	6.5	12.0
Released in the period	–	(0.8)	(0.8)
Provided in the period	–	3.9	3.9
Unwinding of discount	–	0.2	0.2
Utilised in the period	–	(1.3)	(1.3)
Charged to the profit and loss account	0.3	–	0.3
At 3 October 2015	**5.8**	**8.5**	**14.3**

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 29 years (2014: 1 to 30 years).

Deferred tax

The amount provided in respect of deferred tax is as follows:

	2015 £m	2014 £m
Excess of capital allowances over accumulated depreciation	**5.8**	5.5

9 OPERATING LEASE COMMITMENTS

At 3 October 2015 the Company had annual commitments under non-cancellable operating leases as follows:

Leases which expire:	2015 Land and buildings £m	2015 Other £m	2014 Land and buildings £m	2014 Other £m
Within one year	**0.2**	**–**	–	–
Later than one year and less than five years	**12.9**	**–**	13.0	–
After five years	**4.6**	**–**	4.1	–
	17.7	**–**	17.1	–

10 FINANCE LEASE OBLIGATIONS

Obligations under finance leases are as follows:

Due:	2015 £m	2014 £m
Within one year	**1.2**	1.2
Later than one year and less than five years	**5.0**	4.9
After five years	**38.9**	40.2
	45.1	46.3
Future finance charges	**(24.4)**	(25.5)
Present value of finance lease obligations	**20.7**	20.8

11 EQUITY SHARE CAPITAL

Allotted, called up and fully paid	2015 Number m	2015 Value £m	2014 Number m	2014 Value £m
Ordinary shares of 7.375p each:				
At beginning of the period	**602.8**	**44.4**	602.6	44.4
Allotted under share option schemes	**–**	**–**	0.2	–
At end of the period	**602.8**	**44.4**	602.8	44.4

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 5 October 2014	334.0	59.8	6.8	(126.8)	637.2	911.0
Sale of own shares	–	–	–	8.1	(6.6)	1.5
Property revaluation	–	52.2	–	–	–	52.2
Property impairment	–	(4.8)	–	–	–	(4.8)
Disposal of properties	–	(3.1)	–	–	3.1	–
Transfer to profit and loss account	–	(0.6)	–	–	0.6	–
Share-based payments	–	–	–	–	0.8	0.8
Profit for the financial period	–	–	–	–	54.8	54.8
Dividends paid	–	–	–	–	(38.9)	(38.9)
At 3 October 2015	**334.0**	**103.5**	**6.8**	**(118.7)**	**651.0**	**976.6**

NOTES CONTINUED

FOR THE 52 WEEKS ENDED 3 OCTOBER 2015

12 RESERVES (CONTINUED)

The capital redemption reserve arose on share buybacks.

Details of own shares are provided in note 28 to the Group financial statements.

13 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2015 £m	2014 £m
Profit for the financial period	**54.8**	60.3
Dividends paid	**(38.9)**	(37.1)
Issue of shares	**–**	0.2
Sale of own shares	**1.5**	0.5
Share-based payments	**0.8**	0.7
Revaluation of properties	**47.4**	11.4
Net addition to shareholders' funds	**65.6**	36.0
Opening shareholders' funds	**955.4**	919.4
Closing shareholders' funds	**1,021.0**	955.4

The share-based payments and profit for the prior period have been restated to reflect the impact of the capital contribution to Marston's Trading Limited in respect of equity-settled share-based payments and the associated impairment of this amount.

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.

FIVE YEAR RECORD

	2011 (Restated) (52 weeks) £m	2012 (Restated) (52 weeks) £m	2013 (Restated) (53 weeks) £m	2014 (52 weeks) £m	**2015 (52 weeks) £m**
Underlying revenue	682.2	719.7	782.9	787.6	**845.5**
Underlying profit before taxation	75.9	86.7	86.1	83.0	**91.5**
Non-underlying items	0.4	(223.3)	(18.6)	(142.2)	**(60.2)**
Profit/(loss) before taxation	76.3	(136.6)	67.5	(59.2)	**31.3**
Taxation*	(10.8)	25.5	(10.6)	8.5	**(8.0)**
Profit/(loss) after taxation	65.5	(111.1)	56.9	(50.7)	**23.3**
Net assets	817.6	762.0	841.9	759.0	**782.9**
Earnings/(loss) per ordinary share	11.5p	(19.5)p	10.0p	(8.9)p	**4.1p**
Non-underlying items	(0.9)p	31.7p	2.0p	20.6p	**8.8p**
Underlying earnings per ordinary share	10.6p	12.2p	12.0p	11.7p	**12.9p**
Dividend per ordinary share	5.8p	6.1p	6.4p	6.7p	**7.0p**

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

INFORMATION FOR SHAREHOLDERS

Annual General Meeting (AGM)
The Company's AGM will be held on 26 January 2016 at 12 noon at Wolverhampton Wanderers Football Club, Molineux Stadium, Waterloo Road, Wolverhampton WV1 4QR.

Financial calendar

Ex-dividend date for final dividend	17 December 2015
Record date for final dividend	18 December 2015
AGM and Interim Management Statement	26 January 2016
Final dividend payment date	1 February 2016
Half-year results	May 2016
Ex-dividend date for interim dividend	May 2016
Interim dividend payment date	July 2016
Full-year results	24 November 2016

These dates are indicative only and may be subject to change.

The Marston's 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: 0371 384 2274*
Text phone: 0371 384 2255*
By post: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

* Lines are open from 8.30am to 5.30pm (UK time), Monday to Friday, excluding English public holidays.

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 0345 603 7037**.

** Lines are open Monday to Friday, 8.00am to 4.30pm for dealing and until 6.00pm for enquiries (UK time), excluding English public holidays.

SHARE FRAUD WARNING

Share fraud includes scams where investors are called out of the blue and offered an inflated price for shares they own or shares that often turn out to be worthless or non-existent. 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.

Company details
Registered office: Marston's House, Brewery Road, Wolverhampton, WV1 4JT
Telephone: 01902 711811
Company registration number: 31461

GLOSSARY

BBPA British Beer & Pub Association – a body representing Britain's brewers and pub companies

BIS Department for Business, Innovation and Skills – Government department of economic growth

Brinner Food concept: where breakfast meets dinner

Challenge 21 BBPA scheme to prevent underage sales – if a customer buying alcohol looks under the age of 21 they will be asked to provide proof of their age

Challenge 25 Extension to Challenge 21 – scheme where customers will be asked to prove their age if they look under 25

CROCCE Cash Return on Cash Capital Employed – calculated in the same way as ROC

CSR Corporate Social Responsibility – businesses' response to their impact on society

EBIT Earnings before interest and tax

EBITDA Earnings before interest, tax, depreciation and amortisation

EPS Earnings per share

Export Anything sold outside the UK

FCF Free Cash Flow – operating cash flow of the business after tax and interest

FRC Financial Reporting Council – independent regulator

Free trade Independently owned pubs and clubs

Generous George Destination pub brand

LPG (emissions) Liquefied petroleum gas, used as a fuel in heating appliances, cooking equipment and vehicles

National on-trade Managed house pub groups, tenanted pub groups, brewers

NED Non-executive Director

Off-trade Business with food and drink retailers, such as supermarkets (also known as take home)

On-trade Business with hotels, bars, restaurants and pub companies

PBT Profit before tax

ROC Return on Capital – calculated in the same way as CROCCE

Take home Supermarkets, cash and carry, convenience stores (also known as off-trade)

TSR Total Shareholder Return – a combination of share price appreciation and dividends paid

PICTURE REFERENCE

Pen Y Bont Farm, Mold – front cover and page 12

The Poppy Fields, Maidstone – front cover

The Elephant at the Market, Newbury – front cover and page 11

The Sweet Chestnut, Dunfermline – page 2

Pitcher & Piano, Swansea – page 2

The Penny Hedge, Whitby – pages 2 and 12

Marston's Brewery, Burton upon Trent – page 2

The Gunn Inn, West Sussex – page 2

The Highland Gate, Stirling – page 3

Meadow Farm Lodge, Redditch – page 6

The Farmhouse at Mackworth, Derby – page 11

The Firestation, Waterloo – pages 12 and 13

The Goodfellowship, Hull – page 12

The Queen of the Loch, Balloch – pages 14 and 15

A full list of new openings during the year is available on our website **www.marstons.co.uk**

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MARSTON'S PLC

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