



MARSTON'S

Pubs to be proud of

Marston's PLC Annual Report and Accounts 2021




Welcome back
—
A warm welcome to our guests, colleagues and investors.


SUPPORT NIHS TEST & TRACE
LOOK OUT FOR US PLEASE IN BIRE

Wainwright


PETIGREE ALE

KINGWOOD
RAZOR BACK



Welcome back to Marston's...

Whilst COVID-19 has continued to occupy our time and attention during this reporting year, I'm keen to look forward and focus on the future. Throughout the pandemic, our people have repeatedly demonstrated great energy, commitment and resilience. Whilst our pub estate saw further closure periods, we took the opportunity to 'put our house in order' and, as a result, we are emerging from the crisis as a stronger business. We have redefined our vision 'Pubs to be proud of' with clearly defined targets and goals and an aspiration to create a £1 billion sales business. We have a passionate and dedicated team who are focused on delivering the actions and hard work required to create a truly great pub business.

I'm delighted to have been appointed as Chief Executive Officer of Marston's as we embark on our journey back to growth. Our aim is clear: to deliver a great experience to all of our guests in pubs to be proud of. We are well placed to take advantage of the opportunities and I'd like to welcome you to a stronger, more resilient Marston's.

Andrew Andrea
Chief Executive Officer



A Snapshot of 2021

	Underlying		Total*	
	2021	2020	2021	2020
Total revenue	£423.8m	£821.0m	£423.8m	£821.0m
Total (loss)/profit before tax	£(100.0)m	£(22.0)m	£119.3m	£(397.1)m
Basic (loss)/earnings per share	(13.4)p	(1.7)p	25.7p	(56.8)p
Net cash flow	£118.1m	£50.5m	£118.1m	£50.5m

* The results above reflect the total performance of the Group including continuing and discontinued operations. These results are detailed in the Group Income Statement on page 85, in note 8 on page 104 and note 30 on page 124.

On a statutory basis revenue was £401.7m (2020: £515.5m) and loss before tax was £(171.1)m (2020: £(388.7)m). This excludes discontinued operations (see note 8 on page 104).

- The statutory profit before tax reflects the profit on disposal of the beer business of £291 million and a non-cash impairment charge of £84 million for property.
- The financial performance for the period reflects the significant disruption to trading from the pandemic during the period and the sale of Marston's Beer Company to Carlsberg Marston's Brewing Company.
- The business has a strong balance sheet position. As at the balance sheet date, the Group had drawn down £190 million of a £280 million bank facility providing headroom of £90 million.
- The underlying results reflect the performance of the Group before non-underlying items. The Directors consider that these figures provide a useful indication of the underlying performance of the Group.

- ▶ **Improved trading post lockdown, sales levels above 2019**
- ▶ **Strengthened balance sheet; strong cash management through pandemic**
- ▶ **Carlsberg partnership completed 30 October 2020**
- ▶ **Innovative transaction to operate SA Brain pubs**
- ▶ **Clear strategy with clear targets**
- ▶ **Net Zero commitment**
- ▶ **Encouraging current trading, navigating through headwinds**

The Strategic Report, outlined from the inside front cover to page 45 incorporates: Welcome back to Marston's, A Snapshot of 2021, At a glance, Chair's Statement, Chief Executive's Statement, Our Business Model, Our Strategy, Our Key Performance Indicators, Group Operating and Financial Review, Risks and Risk Management, Our Resources and Relationships, Non-Financial Information Statement and Section 172 (1) Statement.

By order of the Board

Andrew Andrea
Chief Executive Officer

30 November 2021



Who we are



We believe life is better when shared

Our purpose is to bring people together for happy, memorable, meaningful experiences. Where better to do this than in the comfort of our pubs and bars.

We provide the perfect setting for every guest, every community and every occasion, whether that's meeting friends, catching up with family, celebrating an anniversary or simply popping in for a pint or a bite. It's our great food, refreshing drinks and welcoming environment that keeps our guests coming back time and time again.

At the very heart of everything are our friendly, real and empowered people who take pride in ensuring that every single guest receives the warmest of welcomes and is made to feel at home, valued and special.

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Governance

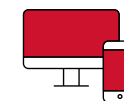
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Find out more online

For a full year-end press release, preliminary results presentation and webcast, visit:

www.marstonpubs.co.uk/investors



At a glance

Marston's has around 12,000 employees and a diverse estate of pubs and bars that allows us to offer something for every guest, as well as contributing to each of the communities within which we operate.

For the first time in our long history, we are a focused pub operator, with a culture that places guests at the heart of everything we do.

- Larger food-led managed pubs, premium bars and restaurants, accommodation.
- Community pubs, either managed, franchised or tenanted, often more wet-led in their format or offer.
- Independently run pubs by skilled entrepreneurs, through market-leading partnerships that enable them to grow their business and connect with their communities.
- Majority of pubs in suburban locations, with 42 pubs in city centres; less exposure to impact of COVID-19 on footfall in city centres.
- Our Pub Support Centre provides a range of functional services that support and connect the business, including IT, HR, Finance, Health and Safety and Governance. All are focused on setting the financial and governance framework that helps to deliver our strategic objectives.

Pubs and bars

1,500

Rooms

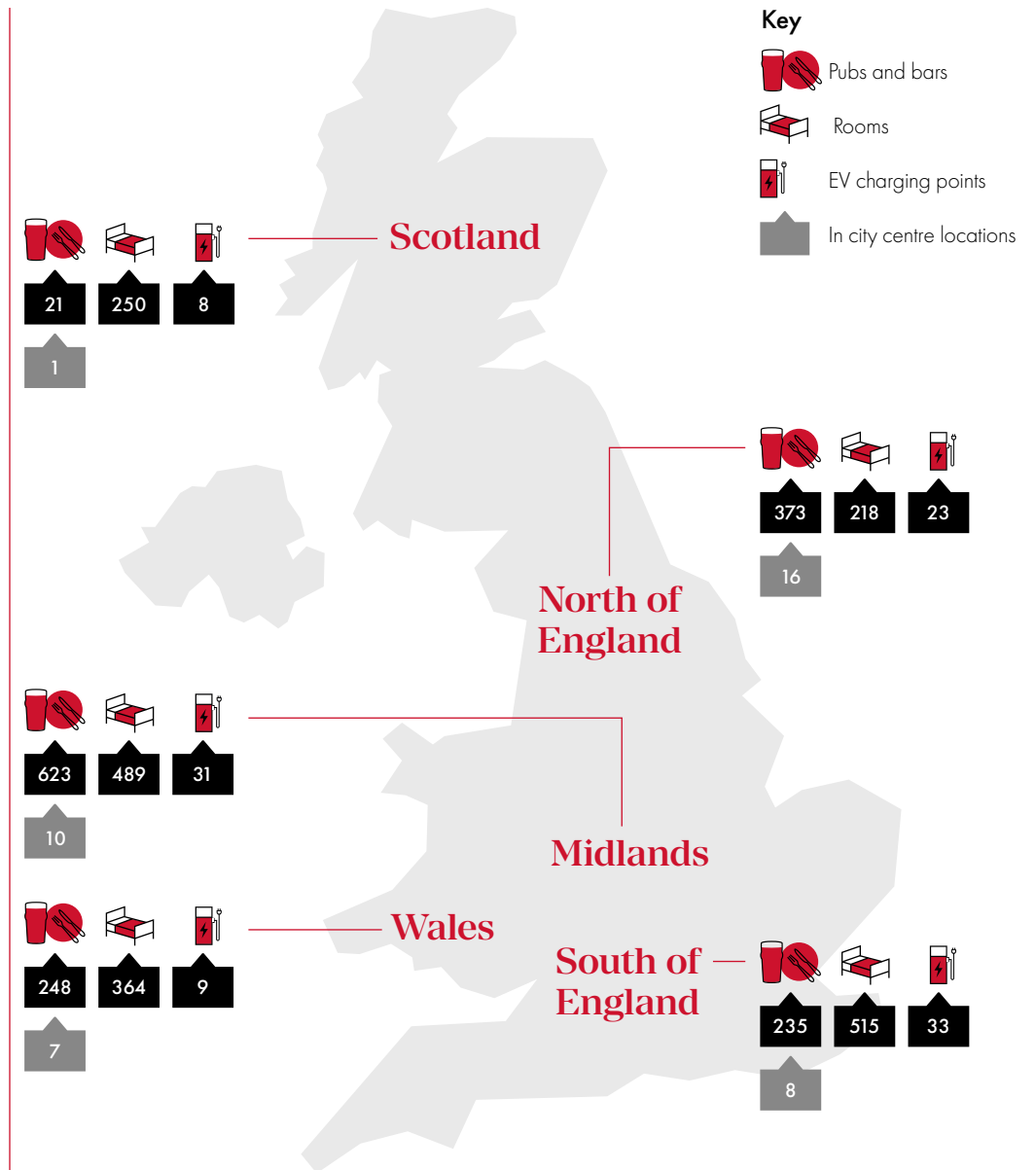
1,836

City centre locations

42

Electric vehicle chargers

104





Chair's Statement



A team to be proud of

I would like to thank all Marston's team members and pub partners for their loyalty and support during the closure periods and their determination and efforts to reopen our pubs in April.

William Rucker
Chair



The impact of the pandemic over the past 18 months has been well-documented, with our business subjected to mandatory closures and restrictions across the period which is reflected in our 2021 financial results. We are now focused on rebuilding our great pubs back to pre-pandemic trading levels.

The success of our business is driven by our people. I would like to thank all Marston's team members and pub partners for their loyalty and support during the closure periods and their determination and efforts to reopen our pubs in April.

I am also very grateful to the many stakeholders who have supported us through the period, ranging from Government providing swift economic support to our sector, our financial backers who agreed to waivers and concessions, and our suppliers who worked closely alongside us. This demonstrates the strong regard with which Marston's is held with our long-term partners, a reputation which was built well before the pandemic and will be maintained thereafter. I should also like to thank Marston's loyal guests for their support when we were able to reopen our doors and how delighted we were to welcome them back.

Our partnership with Carlsberg, announced last year, was an historic moment for Marston's. Both teams are driving an excellent integration process which will deliver synergies significantly in excess of the £24 million originally anticipated. Whilst we no longer directly manage that business, we have a 40% stake in a market leading UK beer business where the current carrying value of £277.4 million excludes the value of future synergy benefits. The equalisation payments received from the transaction provided us with significant liquidity to navigate the pandemic without recourse to equity fundraising. This was a significant achievement and our current borrowings position remains robust. Looking forward, I am confident that the beer business will drive future growth.

Our pub estate reopened for outdoor trading on 12 April, since then we have achieved sales at 94% of 2019 levels. Our balanced portfolio, largely comprising nationwide community pubs with limited exposure to London and city centres, have supported this rapid return to trading. In our view, the estate revaluation completed in July reflects the current ongoing uncertainties, and we expect the carrying

value of property in the balance sheet to recover quickly as sales return and grow beyond pre-pandemic levels.

During the lockdown period, Marston's entered into an agreement to operate the SA Brain pub estate. This innovative transaction expanded our business in a capital-light deal. In the future, we will consider similar opportunities as they arise.

Our cash flow for the year was strong, evidencing a £97 million reduction in net debt, excluding lease liabilities, reflecting the CMBC equalisation payments offset by the negative cash impact from trading restrictions. We have strong cash headroom on our bank facility which extends to 2024, and the remainder of our debt is long-dated with no refinancing obligations. Importantly, over 90% of our medium to long term debt is hedged minimising any exposure to future potential interest rate increases. It remains the case that the Group will need to seek further banking covenant waivers in 2022.

Marston's is now embarking on an exciting new chapter. The Board was delighted to appoint Andrew Andrea as Chief Executive Officer. He has clear drive, ambition and outstanding execution skills and these attributes, together with his deep knowledge of the business, equip him well to lead Marston's through the next stage of its development. Hayleigh Lupino was appointed as Chief Financial Officer to succeed Andrew. She has a proven track record of delivery and is highly regarded within the business which will stand her and the business in good stead.

The PLC Executive Committee comprises a strong and energetic blend of experience and diversity and has recently been further strengthened with Mags Dixon joining us as Commercial Marketing Director, who brings significant sector experience.

I would also like to mention Ralph Findlay and David Thompson. Ralph stood down from the business after 20 years as Chief Executive Officer. Throughout his tenure, Ralph has shown his dedication, passion and ambition in leading its people in a way that embodies Marston's unique culture and he will be greatly missed by his colleagues and industry peers alike. David Thompson, a former Managing Director and Chairman of the business, sadly passed away after a long and brave battle with cancer. David's flamboyant style and intellect

will be remembered by many within the business and across the industry.

Marston's has a longstanding commitment to driving a positive ESG agenda. We have developed a clear roadmap to achieve Net Zero by 2030 for Scope 1 and 2 emissions and by 2040 for Scope 3. I am personally excited by this plan and whilst the targets are challenging, we are confident of meeting our commitment.

Given the significant disruption to trading in the financial year under review and the potential for continuing uncertainty, the Board has decided not to propose a dividend in respect of financial year 2021. The Board is cognisant of the importance of dividends to many of our shareholders and we continue to review the timing of the resumption of dividend payments in earnest.

During the year, we received an unsolicited approach from a private equity bidder to acquire the Company at 105 pence per share, which the Board rejected on the basis that it significantly undervalued the Company and its prospects. Whilst the equity market remains cautious as we emerge from the pandemic, our strategy to reduce borrowings, restore trading momentum to pre-pandemic levels and the value of our stake in our partnership with Carlsberg, enhanced by the increased synergies, all offer significant inherent shareholder value.

We continue to manage market pressures on inflation, labour and product supply. Whilst the Government has provided significant short term industry support, our key request is for VAT to remain at 12.5% on food and soft drinks for the longer term. A return of VAT to 20% in April would be unwelcome, additional short-term pressure on an industry working hard to get back to growth.

Looking forward, we have a corporate goal of 'Back to a billion', comprising an aspiration to drive sales above £1 billion and borrowings below £1 billion by 2025. With a new dynamic management team under new leadership, we have clear plans to achieve those goals which will, in turn, drive significant shareholder value.

William Rucker
Chair

30 November 2021



A business to be proud of

We were delighted to fully reopen our estate in July, once restrictions were lifted, and welcome our guests and team members back into our pubs. Marston's emerged from the pandemic a stronger, more focused business and we look to the future with renewed optimism.

Andrew Andrea
Chief Executive Officer



Chief Executive's Statement

We were delighted to fully reopen our estate in July, once restrictions were lifted, and welcome our guests and team members back into our pubs.

Whilst there are still some challenges to navigate over the months ahead, we believe the worst of the pandemic is now behind us and Marston's has emerged a stronger, more focused business which is in great shape. Importantly, consumer demand for the pub and the role which this great British institution plays, at the heart of communities up and down the country, has never been stronger.

Over the last 18 months, the Government provided much welcomed support to the hospitality industry, which has been so hard hit by the pandemic. We urge them to continue to assist the sector as it continues its recovery by maintaining VAT at 12.5%. Marston's enters the year ahead as a focused pub business with a clear strategic plan, a profitable and cash generative business, a strong balance sheet and a 40% share in CMBC, our partnership with Carlsberg, which has such exciting potential. Our debt reduction plans remain on track and our well-invested, predominantly freehold, suburban pub estate is well placed to benefit from many of the positive consumer dynamics and drivers post pandemic.

2021 performance overview

The 2021 results were significantly impacted for a second year by the COVID-19 pandemic, with severe disruption to trading during the year as a direct result. Our pubs were open for only 54% of the total trading days in the period ended 2 October 2021 and when they were permitted to open, they were mandated to operate under significant trading restrictions due to the Government's response to the pandemic. These restrictions ranged from outdoor only trading to table service only, as well as numerous other variations dependent upon the different tier systems in operation across the UK.

Following the period of closure in the first half of the year, we were able to trade outdoors from 12 April in England and from 26 April in Scotland and Wales. On reopening, it was clear that there was continued strong demand from our guests for the pub and we have been encouraged by the trading momentum experienced from April onwards. We were pleased to be trading robustly and above 2019 levels again from July in the later part of the period under review.

During the December 2020 lockdown period, Marston's entered into an agreement to operate a portfolio of 147 pubs in Wales from SA Brain, under a combination of leased and management contract arrangements.

Cash flow, financing and balance sheet

The Group remained focused on cash management during the year, particularly during periods of closure. We continued to prioritise cash preservation throughout the disrupted trading period, but also maintained an appropriate level of pub investment to ensure our pubs were well positioned to recommence trading in April. The Group generated a net cash inflow for the period of £118 million, a £67 million improvement on 2020. This improvement principally reflects £228 million of net proceeds from the disposal of Marston's Beer Company offset by the cash outflows arising from the periods of pub closure.

During the year, we were successful in reaching agreements with our lending banks and bondholders to make appropriate amendments in respect of certain financial covenants, and to provide waivers where necessary. These included strong support from bondholders for covenant waivers, with amendments in place until January 2022 and the adoption of temporary liquidity and profit covenants with banks and private placement providers also to January 2022. This collaborative approach was helped by open and constructive dialogue in a period of great uncertainty and underlines the importance of good, long-term relationships with all our stakeholders, and we thank them for their continued support. It remains the case that the Group will need to seek further banking covenant waivers in 2022.

The partnership between Carlsberg UK and Marston's Beer Company to form CMBC completed on 30 October 2020. On completion, we received net proceeds of £228 million. In addition, we will receive a payment of £28.2 million for the contingent consideration which is planned to offset the one-off tax repayment of £50 million in respect of VAT and duty, delayed due to the first national lockdown in March 2020. Naturally, the prolonged periods of on-trade closure and subsequent trading restrictions due to the pandemic has impacted performance. Correspondingly, and as previously stated, there will be no dividend payable from CMBC in financial year 2021, although we expect future dividends from CMBC to come through following the reopening of pubs, the successful integration and increased synergy benefits.

Marston's has secure long-term financing in place. Having satisfied the scheduled repayments for the securitisation for quarters one, two and four, demonstrating solid cash generation even under significant trading restrictions, we drew upon the liquidity facility to meet the April quarter-end principal and interest payments. At the period close we had £25 million of the £120 million securitisation liquidity facility, with £5 million repaid in October 2021.

In summary, we have significant cash headroom in our bank facility to provide operational liquidity, and a securitisation liquidity facility to protect bondholder payments for at least 12 months should that be required in the event of any further unexpected interruptions to trading. Importantly, over 90% of our medium to long-term financing is hedged thereby minimising any exposure to interest rate increases that may arise over the next few years.

Innovative growth strategy

In our view, consolidation opportunities will remain within the pub sector over the next few years and we are continuing to consider ways in which we might participate without compromising our objective to reduce borrowings to below £1 billion. The SA Brain's transaction was a good example of an innovative deal which required minimal capital outlay to acquire the operations of a high-quality pub estate. Looking forward, it is our intention to review similar opportunities with the strict criteria that any acquisitions must be underpinned by strong earnings per pub and rental cover of at least two times earnings. We have established an agreement with property partners to work with us on opportunities as they arise.

Carlsberg Marston's Brewing Company (CMBC)

Following the disposal of the brewing business into CMBC we retain a 40% stake in a high-quality business that is well placed for growth. Our partnership has started well, and we are working with Carlsberg to drive the business forward. The team have done an outstanding job on integration and providing the platform to drive the synergies identified in the original process. As reported previously, we anticipate the synergies are now expected to be in the range of £35-40 million – significantly in excess of the £24 million reported on completion.

The CMBC team are developing the sales and marketing plans to drive the underlying business forwards and maintain the market-leading position of both businesses. We are encouraged by the plans presented to us and are confident that these plans can drive further growth in the coming years.

The carrying value of our shareholding is £277 million. Importantly, this does not reflect either the synergies or business progression referenced above which should realise improving value looking forward.



Chief Executive's Statement continued

ESG – roadmap to Net Zero

Marston's has always maintained a proactive approach to our ESG strategy. We view ESG as integral to our operations and of increasing relevance to all of our stakeholders; employees, suppliers, investors and most importantly guests.

Our environmental team have won numerous awards, most recently being awarded the food industry FEJ Award for Energy Efficiency and Sustainability for the third year in succession. Our achievements to date are significant:

- First pub company to achieve zero waste to landfill status, with a current recycling level of 78%
- All replaced plastic garden furniture is made from 100% recycled products
- Reduced carbon emissions, with all managed and franchised pubs fitted with LED lighting
- We operate our own water licence, saving around 30 million pints of water per annum

In addition, we now have rapid charging points for electric cars in over 100 of our pub car parks, one of the largest private networks in the UK. In the last six months we broke through the 'one million miles sold' barrier from our charging network and the roll out across our estate continues.

During the year, we have identified the actions required for our carbon Net Zero roadmap. Our internal remit is to achieve the actions identified to meet our stated goals.

In October 2021, we signed up to the Zero Carbon commitment to achieve Net Zero by 2030 for Scope 1 and 2 emissions (i.e. emissions directly under our control) and 2040 for Scope 3 emissions (i.e. the emissions of our suppliers).

Although there are many initiatives to reducing our emissions, the majority of our roadmap to our 2030 (Scope 1 and 2) targets requires three specific actions:

- Move to renewable energy (April 2022)
- Investment in induction technology in our kitchens (target by the end of 2026)
- Move to low carbon heating solution (target end of 2030)

By implementing these clear plans, in 2030 we anticipate being in a position whereby we achieve a 90% reduction of our emissions goals for Scope 1 and 2 through identified actions with a 10% offset required to become carbon neutral across Scope 1 and 2.

Current trading and outlook

Trading since the year end remains encouraging. Total like-for-like sales in our managed and franchised pubs are up 1.3% relative to 2019. October earnings were in line with our expectations. Bookings for the Christmas period are encouraging and building in momentum. In our food-led business both Christmas Day and Christmas Fayre bookings are in line with 2019, albeit walk-in trade typically accounts for a significant proportion of overall sales over the Christmas trading period.

It has been well publicised that the wider industry is facing challenges in respect of staff recruitment and cost inflation, alongside supply issues. Whilst the labour market remains tight, particularly in city centres, we are currently managing this well. The national minimum wage increase was in line with our expectation of a resumption of the 5-6% increase, which we were observing before the pandemic. The majority of our 2022 costs are now contracted in, specifically gas to 2023 and electricity to the end of March 2022. With regards to supply chain challenges, we have seen some small pockets of disruption however, we are continuing to work closely with our suppliers to manage this.

Looking forward, we believe the worst of the pandemic is now behind us, albeit we will have to navigate through the coming Winter months if any further Government restrictions are put in place. Trading since April demonstrates that demand to visit the pub remains strong and we have clear plans in place to return Marston's to sustainable pre-pandemic levels of profitability, evolving and adapting the business to ensure it is fit for long term purpose and achieving our 'Back to a billion' goals.

Andrew Andrea

Chief Executive Officer

Market dynamics

The pandemic has significantly changed the dynamics of the market and our focus has been on ensuring that our pub estate is optimally positioned to meet those challenges and respond to evolving consumer trends. There are four key dynamics of the changing market, which we believe we are well equipped to benefit from:

Our guests want to celebrate and socialise outside home:

Since reopening in April there is clear evidence of a strong demand for guests to socialise outside the home environment with comparative sales performance improving steadily as restrictions were relaxed further.

On-trade contraction of supply:

In recent years expansion in the eating-out market has been relatively subdued. Supply has contracted significantly during the year, particularly in casual dining, and we expect this trend to continue for the foreseeable future which presents a clear opportunity for us to increase market share.

Lifestyle changes favour suburban locations:

The pandemic has significantly changed the way in which we live and work, with a significant shift to homeworking for example. Whilst we believe that a return to office working will re-emerge in time, there are strong indications that more flexible working patterns will prevail in the long term, with many large organisations looking to reduce office space in city centre locations. Our principally suburban estate is well-placed to exploit this change.

Experience replacing convenience as reason to visit:

In the years preceding the pandemic, the eating-out market was subject to significant discount activity. Today, options for eating at home have significantly improved, with increased home delivery options, the emergence of 'finish at home' premium dining and the premiumisation of food offers in supermarkets. As referenced above, there is strong demand to socialise outside the home, but the focus and expectation of our guests is driven by experience and quality, rather than convenience or price.



Our Business Model

Our purpose is to bring people together to create happy, memorable, meaningful experiences.

Pubs are where we go to socialise, celebrate, share an experience or simply enjoy a drink or bite to eat. We sit at the heart of our local communities offering a warm welcome to help people feel good.

As a people-powered business the way we do things is core to how we achieve our purpose:

- By being obsessed about our guests' experience, always listening to the information around us and caring with a passion about the guest; by keeping the guest at the heart of every single decision we make.
- By raising the bar through working together to determine the best course of action, sticking to it and being accountable for it; by being committed to each other, our teams and to bringing the best version of ourselves to work.
- By always looking for ways to improve, ways to exceed expectations and be better at what we do; by never settling for average but looking for the right moments to be bold, take a risk or call things out; by encouraging each other to develop and celebrate everyone's uniqueness and the contribution each of us can make.

What we rely on

Relationships



The best people



Happy guests



Committed partners



Trusted suppliers



Supportive Government



Engaged communities

Our business relies on the strength of the relationships with our key stakeholders to maximise the value we can generate together, for our respective businesses, in a responsible and financially prudent manner.

Resources

Sustainable approach

We recognise our responsibilities in building a sustainable business that minimises its impact on the environment.

What we do



We are Guest Obsessed

- Providing spaces for occasions
- Creating community living rooms
- Offering something for everyone
- Investing in outdoor spaces to relax and enjoy



We Raise the Bar

- Offering market-leading partnerships and a variety of operating models
- To attract the best people
- To maximise the returns from each pub
- To offer genuine business opportunities to our partners



We will Grow

- Responsible and innovative use of resources and innovation to reduce our environmental impact and contribute to green spaces
- Unique partnership with a best in class beer business to offer a wide range of premium, global and local brands

Value created

- Engaged teams who are invested in our vision, feel valued and take pride in ensuring our guests have a great experience
- Attracting and retaining talented people who reflect our values and drive our ambitions to grow
- Great guest experiences means repeat visits, recommendations and increased spend per head
- Mutually beneficial relationships with our partners and suppliers that grows both businesses
- A well-managed estate of high-quality pubs that are attractive to guests and maximise their value
- Social hubs and attractive spaces for communities
- Local sources of employment
- Builds confidence and legitimacy in our ESG credentials as well as enhancing reputation, helping to differentiate us from our competitors

 See pages 32 to 43 for more information on Our Resources and Relationships.

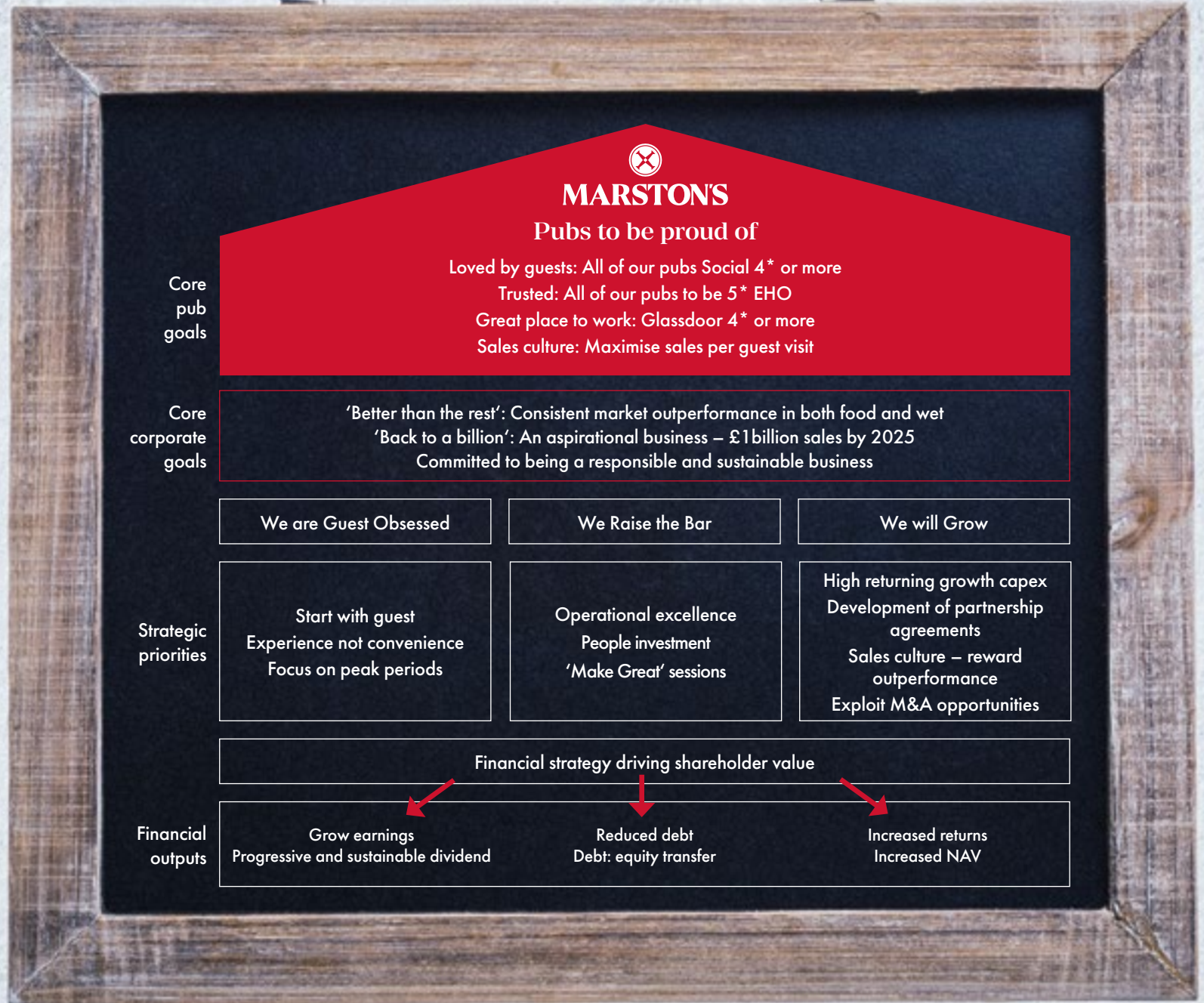
Our Strategy

As a focused pub operator, we have simplified our structures and adopted a one-team approach across our business, working better and smarter, to deliver our vision of pubs to be proud of.

We have developed a clear guest-focused pub strategy with a roadmap to deliver our core pub goals, our corporate goals and our financial strategy which will ultimately deliver shareholder value.

We will measure 'Better than the rest' by being the best pub locally when comparing our social scores and by consistently outperforming the market. Once we have achieved this we will work tirelessly to stay there.

Our financial target of 'Back to a billion' will drive shareholder value by growing earnings to above £1 billion and reducing borrowings to below £1 billion within 5 years.





Our Strategy continued

Strategic and operational review

Following the sale of Marston's Beer Company into CMBC, we have become a focused pub operator for the first time in the Group's long history.

During the year we launched our new vision 'Pubs to be proud of' with a purpose 'to bring people together, to create happy, memorable, meaningful experiences'. This vision embodies our cultural DNA of being a pub operator, whilst focusing on consistently delivering high levels of guest satisfaction and standards through our great pub teams.

Underpinning this vision are clear operational targets which will be measured by external guest and employee led endorsements such as Google, EHO and Glassdoor, together with sales targets aimed at further improving spend per guest visit.

Our corporate goals

The corporate goals underpinning the vision are twofold:

'Better than the rest': Continued outperformance of the Peach market tracker in both food-led and wet-led pubs outside the M25

'Back to a billion': This encompasses two financial targets, namely:

- Achieving sales of £1 billion by 2025 – this requires around £200 million of sales growth from the pre-pandemic levels, including SA Brain over the next four years.
- Reducing net debt to below £1 billion by 2025 – this is consistent with our previously stated financial strategy.

In delivering these goals we will drive shareholder value on several fronts:

- Organic sales and earnings growth: by growing sales and earnings beyond pre-pandemic levels we are driving cash flow growth that can be deployed to reinvest in the business, continue to pay down debt and resume sustainable and progressive dividends.
- Capital allocation: adopting a capital allocation policy that focuses on paying down debt, resuming sustainable dividends and considering earnings enhancing, capital-light acquisitions.
- Improve asset value and return on capital: over the last two years our property value has been impaired by around £350 million, reflecting the impact of the pandemic. Our organic growth plans provide an opportunity to restore the impaired value as well as improving return on capital.
- Committed to be a responsible and sustainable business: achieving our roadmap to Net Zero for Scope 1, 2 and 3 emissions alongside creating champion targets for key ESG issues relevant to our business.

How we will deliver our goals

Focused and balanced leadership team

In order to deliver our goals, we have structurally changed the PLC Executive team (PLC Exec) to ensure decisions are made in a timely and efficient manner, with close alignment between executive members and minimal layers between the PLC Exec and pub teams. Together with the Chief Executive and Chief Financial Officer, the Group's Executive comprises two Operations Directors, a Commercial Marketing Director, Group HR Director and Group Secretary. Of particular note, our Commercial Marketing Director, Mags Dixon, joined the Group in September 2021 and brings with her a wide range of sector experience with a number of leading hospitality brands.



1. We are Guest Obsessed

Ensuring that our guests are at the heart of all of our decisions and everything we do.



Insight and data driven decisions

In October we launched a new guest insight platform, Reputation, which generates a Reputation score for every pub based on social media feedback, regardless of operating model. This platform highlights guest satisfaction levels and also enables us to compare each pub to local competitors. As such, it provides us with a basis from which we can determine whether we are the best pub in the area or where there is scope for further improvement.

Following the investment in our EPOS system we have a rich pool of data from which we can understand our guest behaviours by each day and daypart in the week. This enables us to make more targeted commercial decisions which, together with the social media and demographic data, ensures we have the right customer offer in all of our pubs.

Creating memorable experiences

Prior to the pandemic, the food-led business was exposed to significant discounting across the market and, as such, the market was very price focused. Since reopening, this balance has shifted, with guests placing more emphasis on the overall pub experience, with ambience and quality of service ranking far higher in guest satisfaction surveys. Quality of food and drink is of course critical but is taken as a given by our guests and, whilst the insight shows that price is less important in choosing a venue, we are cognisant that pubs must remain an affordable treat where visit frequency is more than once a month.

Focus on the peak periods; minimise distraction

Coming out of the pandemic, footfall levels are still below 2019. We are focused on maximising sales in the key peak trading periods, namely lunchtime and evening and believe greatest value is created by harnessing our efforts and allocating resource to the dayparts of the week when guests are most likely to visit. As a consequence, we have taken the decision to restrict where we are serving breakfast principally to pubs with accommodation and we no longer offer delivery. Whilst the door is not closed to these opportunities in the future, our experience thus far is that these have delivered negligible profit contributions and are a distraction to the pubs' core business.



Our Strategy continued



Spaces to be proud of

In a continued effort to help get pubs ready ahead of the reopening on 12 April, our estates and operations teams launched a nationwide project to help equip pubs with alternative outdoor spaces to safely welcome back guests. The pandemic accelerated trends whereby outdoor areas are becoming a key focus for guests, for meeting with friends and family in a safe environment. This was further evidenced following the Government's announcements regarding the roadmap out of lockdown for England, when pubs were only able to serve guests exclusively outdoors.

Our pubs had to adapt and adjust their operations drastically to adhere to guidelines and prepare for reopening. Each outdoor design was carefully considered, utilising available space and how the area could be used to ensure operations and guest experiences were enhanced, whilst adhering to social distancing measures. Working closely with our contractors and suppliers, we have completed no less than 320 projects across our estate so far. We carried out some major refurbishments on pubs during the lockdown, transforming them to be ready in time for the reopening. From marquees and awnings to jumbrellas and teepees, we were busy investing in creating 'inside-out' areas to offer our guests options, while abiding by COVID-19 restrictions at the time.

➕ See page 37 to see the spaces we are proud of.



Our Strategy continued

2. We Raise the Bar

Focusing on ensuring we raise our standards in everything we do and are driven by continuous improvement.



Investing in people

We employ nearly 12,000 people directly in our 561 managed pubs and an estimated 10,000 indirectly in our 940 franchise and leased pubs. Our people are at the heart of creating a 'Pub to be proud of' and engaging and investing in our teams to help them improve the performance is critical to our success.

The pandemic presented an opportunity to review all aspects of our people agenda.

Resourcing: The challenge for recruiting quality talent into our business has been more pronounced as we emerged from the pandemic, during a period which has seen widely reported labour shortages in the hospitality sector. During the various periods of lockdown, we developed and relaunched our recruitment websites and are reviewing the role of app based recruitment systems for employees seeking more flexible working arrangements. However, we recognise that we need to evolve our processes further to ensure we are bringing the right calibre of individual into the business for the long term rather than simply filling pub vacancies to meet short-term pressures. We have recently appointed a new Head of Resourcing with significant sector experience to oversee the continued evolution and development of our recruitment agenda.

Training and development: We have introduced a more agile and dynamic training and development agenda into Marston's, to ensure we can identify development needs quickly and offer innovative training solutions.

Our legacy annual review cycle has been replaced by a more agile, regular monthly conversation with a continuous focus on performance and personal development. We are developing an app-based system to ensure this process is efficient and not cumbersome for our people or their managers.

Communication and engagement: The pandemic reinforced the paramount importance of regular and effective communication with our teams. We have introduced the Peakon engagement system this year which provides a platform for quick and regular feedback to and from our people.

Operational excellence

We aspire to achieve the goals underpinning the vision in all of our pubs. In addition to providing excellent guest experiences evidenced through the satisfaction scores, we are focused on ensuring that the guest experience is delivered in pubs by operating to the appropriate standards with a clear target EHO score. We have launched a standards drive across our pubs with a new audit app, and have included health and safety scores in bonus schemes for the first time this year.

Focused improvement – 'Make Great'

In tandem with the focus on peak trading sessions, we have launched an internal initiative 'Make Great'. The first initiative was 'Make Sundays Great'. We set up a cross functional project team to review and enhance the whole Sunday guest experience, resulting in simplified menus, improved specification of the roast meal, marketing campaign and a trade-up incentive scheme. The initial results are extremely encouraging, with improved lunchtime trading results, higher guest satisfaction and a higher mix of roast dinners, with most food-led formats showing an improvement of nearly 20% relative to 2019.

We have extended 'Make Great' to our capex process as described below and have set up new teams to enhance other key trading initiatives such as 'Steak Night' and Saturday evenings in food-led pubs.

Our Strategy continued





Our Strategy continued



3. We will Grow

Focusing on the actions that will drive the £1 billion sales target.



Evolution of our estate

In response to the changing market dynamics post pandemic, we have conducted a detailed review of our pub estate. Following this review, we have decided to categorise our pubs into three core trading formats in our food business to reflect changing consumer trends, thereby reducing our exposure to a pure mainstream offer synonymous with discounting and a focus on price over experience, and maximise the trading opportunity in each pub. Importantly, consistency remains key across all formats. Conversion of the estate to these categories will take place over the next four years.

Community: These are good value, local pubs at the heart of their community. We have both food-led and wet-led pubs in this category. We are unlocking growth through zoning that clearly defines the bar and dining areas of the pub. Where we have adopted this model we have seen growth from increased drinks volume whilst continuing to deliver strong food sales.

Signature: In this format we elevate the everyday for our guests, placing an emphasis on a warm, timeless country-pub atmosphere with food and drink provenance at the fore. We target a frequency of 1–2 visits per month, in suburban towns and villages where quality of food, a friendly welcome and familiarity are key drivers.

Revere: Our most aspirational offer. Guests visiting these pubs have a higher level of disposable income, are well-travelled, eat out frequently and are willing to pay for an elevated experience. In addition, a Signature guest will trade up to a Revere pub or bar for a special occasion.

Underpinning this is the 'Make Capex Great' programme which has focused the capex process as follows:

- Set long term sales and profit aspirations for the pub and assess the capex investment based on this rather than the incremental return on investment
- Enhanced marketing support for the first 12 weeks after reopening for new launches
- Early identification of conversion sites to ensure all resourcing and marketing requirements are addressed prior to the capex investment. 25 conversion sites are planned for 2022 and 50 conversion sites have been identified for financial year 2023.

It is our intention to invest around £50-55 million of capital over the next four years to complete the programme at a minimum target return of 30%.

A good example of the type of investments we are targeting is the Bankfield Inn, Bilston. The Bankfield was a carvery site (previous name White Rabbit) with average net sales of £15k per week, comprising £4k of drink sales. We converted the pub to Marston's Community trading format in May 2021 with an investment of £250k and the pub is now consistently trading at £21k per week with drink sales of £10k. The proforma EBITDA of the pub is targeted at £230k based on current sales.

Continued evolution of franchise – Pillar agreement

In 2009, Marston's pioneered the introduction of franchise-style agreements which have subsequently become widespread across the pub sector. We believe that the franchise operating model in community pubs creates the best experience for our guests as well as being the most flexible and attractive model for licensees.

Our aspiration is to continue to roll out turnover-based agreements across our leased estate. The progress to date has been restricted to pubs that can accommodate a Marston's food menu and therefore implementation of such arrangements for a leased pub with an independent food offer has proved challenging. In 2021 we introduced a new franchise agreement 'Pillar' which meets those challenges.

The Pillar agreement enables a partner to operate their own menu through our EPOS system. As with the franchise model, the operating costs of the pubs excluding labour are borne by Marston's ensuring the pub is operating on national managed house cost terms. Having successfully trialled the new agreement in 32 sites, we now plan to roll out this highly innovative agreement to at least another 30 pubs in 2022. This unique model enables food entrepreneurs amongst our tenants and lessees to participate in the Marston's franchise agreement without compromising their personal creativity.

Economically, the pilot has demonstrated that the combination of food entrepreneurial flair from the licensee, together with Marston's drink expertise and cost efficiencies, drives a high level of outlet profit which is mutually beneficial to both parties.

Creating a stronger sales culture – Project Boost

Our objective is to create a more entrepreneurial culture across the organisation, rewarding outperformance wherever that is achieved. This initiative is designed to provide incentives to our strongest performers across the business including our partnership sites.

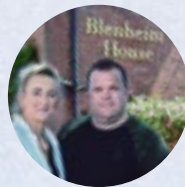
Boost is also intended to ensure we are delivering our financial results in the correct manner – satisfaction and standards are embedded into all of our schemes across the organisation. In 2022, our operational bonuses are uncapped – if a pub significantly outperforms their targets then they will be rewarded accordingly.

Our Strategy continued



PARTNERSHIPS TO BE PROUD OF

As our business started to reopen after the first lockdown, we recognised that applicants for our pubs were looking for something different. We identified an opportunity to develop a new style of partnership agreement, which moves away from rent and towards a turnover-share style of arrangement. This turnover-share agreement allows our operating partners to have the freedom to implement their own food offer and guest journey but with the support of Marston's. Moving away from the traditional style agreement moves us to a sales focused relationship where we collaborate in partnership to grow the income and improve the experience for the guest. This style of agreement is enabling us to attract applicants that may not have considered a more traditional tenancy agreement.



"It works for me and my business in a number of different ways, first and foremost it's a very fair and equitable revenue share. What Marston's have done, and I think it's the right thing to do within the industry, is take away the fixed costs of rent, maintenance, utilities – which is a really huge cost.



What they have done is released me just to be an operator to actually sell beer, sell wine, operate and deliver great service to customers, and deliver my own great food to customers."

Adam Ellis, Blenheim House, Derby



Our Key Performance Indicators

Our KPIs represent the principal metrics that we focus on in running our guest obsessed business. They measure our progress in raising the bar on our performance and in growing the business. They also help determine how we are remunerated.

Our corporate goals are:

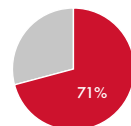
- To consistently outperform the market in both food-led and wet-led pubs outside the M25, as defined by the Peach market tracker.
- To get back to £1 billion sales and £1 billion borrowings by 2025.
- To continue being a responsible and sustainable business.

Our core pub goals are:

- To be the local choice for our guests and for them to be our advocates.
- To operate to the highest standards of compliance when dealing with the health and safety of our guests and our people.
- To be a great place to work; engaging with and enabling our people.
- To instill a sales culture within our teams; maximising the spend per guest visit.

Loved by Guests

% of pubs with >4* Google rating

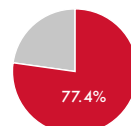


Target: 100%

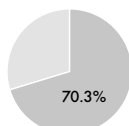
Previously, we have used a combination of internal guest satisfaction surveys and feedback. For 2020/21 we have used external rating data from Google only. From 2021/22 we will be using Reputation.com, which incorporates Google.

Trusted

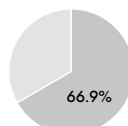
% of pubs with 5* EHO score



2021
Target: 100%



2020



2019

Committed to be a responsible and sustainable business

FTSE4Good ESG score



2021



2020



2019

Net Zero emissions targets

Scope 1 and 2 – 2030
Scope 3 – 2040

From 2021/22 we will report progress against our roadmap to Net Zero.

Great place to work

Glassdoor rating



Target: 4

Engagement score



Target: 9

During 2020/21 we moved to a different external platform to measure and engage with our people and, for the first time, we also started measuring our endorsement externally.

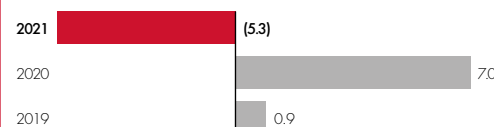
Sales culture

Spend per head v LY %



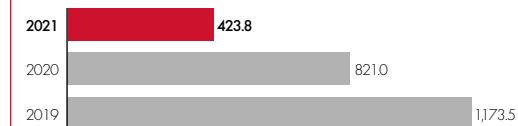
Better than the rest

Sales growth vs Peach market tracker %



Back to a billion

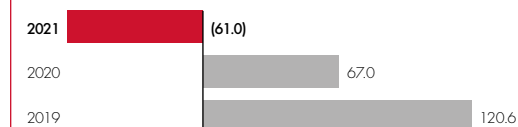
Total revenue (£m)



Net debt (excluding lease liabilities) (£m)



Free cash flow (FCF) (£m)



⊕ See page 21 for how FCF is calculated.



Financial management to be proud of

Despite the trading challenges, the Group remained focused on cash management during the year.

Hayleigh Lupino
Chief Financial Officer



Group Operating and Financial Review

Group performance

Total revenue for the 52 weeks ending 2 October 2021 was £424 million, 48% below last year. The prior year comparatives are for a 53-week period and included Marston's Beer Company. The Carlsberg Marston's Brewing Company (CMBC) partnership with Carlsberg completed at the end of October 2020 and, therefore, total revenue included one month's contribution from the beer business. Total pub revenue for the year was £402 million, 22% below last year, reflecting the significant disruption to trading as a consequence of the pandemic.

During the first half of the year pubs were trading under significant restrictions or closed. In the second half year, pubs were permitted to reopen initially for outdoor trading during April and, subsequently, indoor trading was permitted across all of the Group's pub estate from 17 May, albeit subject to the continuance of various social distancing restrictions until 19 July. We were able to open c70% of our pubs under outdoor trading restrictions from 12 April and the Group's entire estate of c1,500 pubs has been open since 17 May.

Since reopening on 12 April, we have seen an improving sales trend from 77% of 2019 levels on a like-for-like basis, during the period of outdoor trading only to a return to growth over 2019 levels, with sales 2% higher across our managed and franchised pubs from July. Overall, trading since 12 April has been at 94% of 2019 levels which includes the benefit of the temporary VAT reduction on food and non-alcoholic drink sales.

The Group's £2 million investment in 'inside-out' schemes, the investment plan for outdoor areas, during Autumn and Winter 2020 supported our sales performance during the outdoor only trading period, which also benefitted from warmer weather and the uplift from the delayed Euro 2020 tournament until full reopening in July.

Accommodation sales have been very strong in the period since reopening and benefitted from the demand for UK staycations. Since fully reopening in July, these have been 38% higher than 2019.

During the period we agreed to run the pub operations of SA Brain in Wales, with the transaction completing on 5 April 2021. These pubs were also impacted by the significant disruption from the pandemic. These pubs reopened alongside the existing Marston's pub estate in Wales initially for outdoor trading only from 26 April and were fully open from July. Encouragingly, the SA Brain pubs have performed well and are trading ahead of expectations. The transaction is accounted for predominantly under IFRS 16 leases.

The financial consequences of significant disruption caused by the pandemic during the period, which included full closure of pubs, outdoor trading only and table service only, are reflected in significantly reduced profit. Underlying EBITDA was £35.3 million (2020: £125.6 million)¹, and the total underlying operating loss was £7.4 million (2020: £74.0 million profit)¹. The total underlying loss before tax was £100.0 million (2020: £22.0 million)². The basic underlying loss per share for the period was 13.4 pence per share (2020: 1.7 pence per share).

During the period the business accessed Government support in the form of the Coronavirus Job Retention Scheme (£43.6 million) and COVID-19 assistance grants (£10.9 million) alongside the VAT reduction and business rate relief.

The total profit before tax was £119.3 million (2020: £397.1 million loss) including discontinued operations, and earnings per share were 25.7 pence per share (2020: 56.8 pence per share loss). The difference between underlying profit before tax and profit before tax is £219.3 million of non-underlying items, of which £291 million relates to the disposal of the beer business into CMBC.

The performance of the Group is assessed using several alternative performance measures which are all derived from the statutory figures as presented in the financial statements as set out on page 21.

Cash flow, financing and balance sheet

Despite the trading challenges, the Group remained focused on cash management during the year, particularly during periods of closure. We continued to prioritise cash preservation throughout the disrupted trading period, but also maintained an appropriate level of pub investment to ensure our pubs were well positioned to recommence trading in April. The Group generated a net cash inflow for the period of £118 million³, a £67 million improvement on 2020. This improvement principally reflects £228 million of net proceeds from the disposal of Marston's Beer Company offset by the cash outflows arising from the periods of pub closure.

Net debt, excluding IFRS 16 lease commitments, was £1,232 million (2020: £1,329 million)³, with the decrease driven by the cash flows described above. Total net debt of £1,604 million includes lease obligations of £372 million following the adoption of IFRS 16.

The increase in IFRS 16 obligations primarily reflects the impact of the transaction to acquire the SA Brain pub operations.

We have secure medium-term financing in place. At the period end we had a £280 million bank facility available until 2024, of which £190 million was drawn providing headroom of £90 million. In addition, we have a £40 million private placement available until 2024.

During the year, we were successful in reaching agreements with our lending banks and bondholders to make appropriate amendments in respect of certain financial covenants, and to provide waivers where necessary. These included strong support from bondholders for covenant waivers and amendments in place until January 2022, and the adoption of temporary liquidity and profit covenants with banks and private placement providers also to January 2022. This collaborative approach was helped by open and constructive dialogue in a period of great uncertainty and underlines the importance of good, long-term relationships with all our stakeholders, and we thank

them for their continued support. It remains the case that the Group will need to seek further banking covenant waivers in 2022.

The partnership between Carlsberg UK and Marston's Beer Company to form CMBC completed on 30 October 2020. On completion, we received net proceeds of £228 million. In addition, we will receive a payment of £28.2 million for the contingent consideration which is planned to offset the one-off tax repayment of £50 million in respect of VAT and duty, delayed due to the first national lockdown in March 2020. Naturally, the prolonged periods of on-trade closure and subsequent trading restrictions due to the pandemic has impacted performance. Correspondingly, and as previously stated, there will be no dividend payable from CMBC in financial year 2021, although we expect future dividends from CMBC to come through following the reopening of pubs, the successful integration and increased synergy benefits.

Marston's has secure long-term financing in place. Having satisfied the scheduled repayments for the securitisation for quarters one, two and four, demonstrating solid cash generation even under significant trading restrictions, we drew upon the liquidity facility to meet the April quarter-end principal and interest payments. At the period close we had utilised £25 million of the £120 million securitisation liquidity facility, with £5 million repaid in October 2021.

In summary, we have significant cash headroom in our bank facility to provide operational liquidity, and a securitisation liquidity facility to protect bondholder payments for at least 12 months should that be required in the event of any further unexpected interruptions to trading. Importantly, over 90% of our medium to long-term financing is hedged thereby minimising any exposure to interest rate increases that may arise over the next few years.

Notes

1. See note 3 on page 100.
2. See Group Income Statement on page 85 and note 8 on page 104.
3. See note 30 on page 124.



Group Operating and Financial Review continued

Performance and financial review

	Revenue		Underlying operating profit	
	2021 £m	2020 £m	2021 £m	2020 £m
Pub outlet	401.7	515.5	34.8	84.7
Administrative costs	–	–	(29.1)	(28.0)
Total pub	401.7	515.5	5.7	56.7
Share of associate	–	–	(14.5)	–
Total continuing	401.7	515.5	(8.8)	56.7
Brewing (discontinued)	22.1	305.5	1.4	17.3
Total	423.8	821.0	(7.4)	74.0

As a result of the impact of COVID-19, we forecast that additional covenant waivers/amendments will be required. Whilst there is no certainty that such amendments would be granted (this has been disclosed as a material uncertainty in the financial statements), given our experiences to date we are confident of securing these where necessary.

Pubs

Revenue decreased by 22% to £401.7 million principally reflecting the impact of COVID-19 and the significant restrictions to pub trading during the period.

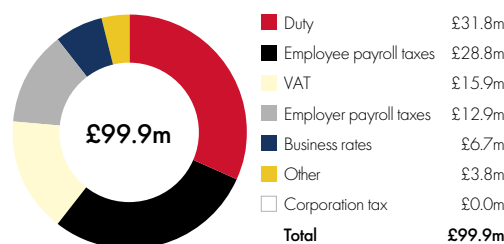
Within our pub business we operated 332 pubs under the traditional tenanted and leased model generating revenues of £24.7 million and underlying operating profit of £11.5 million.

Pub outlet operating profit was £34.8 million (2020: £84.7 million). Reported underlying operating margin of 8.7% is below last year reflecting the lower turnover.

Share of associate (CMBC)

The operating loss from CMBC in the period of £14.5 million reflects Marston's PLC's share of the statutory loss after tax generated by CMBC in the period. This improved in the second half of the year due to reopening of the on-trade. This loss comprises £4 million of underlying trading losses, £2.5 million of restructuring costs, and £8 million in respect of the adjustment to the contingent payment value since completion.

Total tax contribution



Taxation

The total underlying loss before tax for continuing and discontinued operations was £100.0 million (2020: £22.0 million), upon which the total underlying tax credit for continuing and discontinued operations was £15.5 million (2020: £11.5 million). This gives a total underlying rate of taxation of 15.5% (2020: 52.3%). The tax rate is lower than the standard rate of corporation tax primarily due to the post-tax share of loss from associates included in the underlying loss before tax.

Non-underlying items

There is a net non-underlying credit of £247.3 million after tax, of which a charge of £42.1 million relates to continuing operations and a credit of £289.4 million relates to discontinued operations.

The charge in respect of continuing operations primarily relates to the external estate valuation of the Group's effective freehold properties and the impairment review of the Group's leasehold properties undertaken in the period, which resulted in a £83.9 million charge to the income statement.

Other non-underlying items comprise £12.2 million of costs/charges from COVID-19, primarily relating to covenant waivers and contract penalties, central reorganisation costs of £1.0 million, a pension scheme past service cost of £0.5 million in respect of Guaranteed Minimum Pension equalisation, a charge of £0.6 million in respect of the net interest on the net defined benefit pension asset/liability, an £8.4 million net gain in respect of interest rate swap movements and a £20.0 million gain in respect of the fair value of the contingent consideration from the disposal of the Group's brewing operations. There is a credit of £7.9 million relating to the tax on these non-underlying items along with a deferred tax credit of £19.8 million in relation to the change in corporation tax rate.

The credit in respect of discontinued operations primarily comprises the profit on disposal of the Group's brewing operations, offset by business separation and COVID-19 costs.

Capital expenditure and disposals

Capital expenditure was £46.6 million in the year (2020: £63.7 million). We expect that capital expenditure will be around £55 million in 2022, comprising maintenance of £41 million and investment of £14 million.

Cash proceeds of £228.0 million were received in respect of Marston's Beer Company and £16.2 million have been realised in relation to the disposal of pubs and our unlicensed property portfolio. The balancing cash payment of £28.2 million from Carlsberg, for the disposal of Marston's Beer Company, will be received in December 2021.

Property

The Group's properties went through an external valuation with CBRE during the second half of the year and the results have been reflected in the full year accounts. The resulting carrying value of the estate is £1.9 billion and as a result of the valuation and leasehold impairment review there is an effective freehold impairment of £102 million and a leasehold impairment of £27 million. The average multiples used in the valuation of 7.8 times were at the lower end of our expectations and the multiples disclosed by both peers in their valuations and recent comparable transactions.

Pensions

The deficit on our final salary scheme was £14.4 million at 2 October 2021 which compares favourably to the £37.2 million deficit at last year end. The decrease in the deficit is due principally to a significant decrease in the liability, driven by an increase in the discount rate. We have concluded the 2020 triennial valuation and agreed with the Trustees to maintain funding at the existing levels of contribution.



Group Operating and Financial Review continued

Statutory measures

The following statutory measures are also relevant when considering the performance of the Group.

	2021 £m	2020 £m
Revenue	401.7	515.5
Operating loss	105.0	285.5
Loss before taxation	171.1	388.7
Profit/(loss) from discontinued operations	291.1	(11.1)
Net (decrease)/increase in cash and cash equivalents	(8.5)	3.1

CROCCE

	2021			
	Balance £m	Depreciation £m	Revaluation £m	Adjusted £m
Non-current assets:				
Goodwill	–			–
Other intangible assets	36.1	12.3		48.4
Property, plant and equipment	1,984.2	299.9	(360.5)	1,923.6
Other non-current assets	15.9			15.9
Current assets:				
Inventories	12.9			12.9
Trade and other receivables	52.3			52.3
Assets held for sale	5.1			5.1
Liabilities:				
Liabilities held for sale	–			–
Creditors*	(237.3)			(237.3)
Cash capital employed	1,869.2	312.2	(360.5)	1,820.9
EBITDA				49.8
CROCCE				2.7%

Note

* Creditors comprise trade and other payables, other non-current liabilities and provisions for other liabilities and charges.

Free cash flow

	2021 £m
Net cash inflow from operating activities	34.7
Interest received	0.5
Interest paid	(96.3)
Proceeds from sale of own shares	0.1
Free cash flow	(61.0)

Net cash flow

	2021 £m
(Decrease)/increase in cash and cash equivalents in the period	(8.5)
Increase in other deposits	1.2
Disposals	0.1
Cash outflow from movement in debt	125.3
Net cash flow	118.1



Risk and Risk Management

Managing risk during a disrupted year

The risks related to the pandemic evolved during the year: from the tiered system and local restrictions at the start, on to a full lockdown, then a gradual reopening. This has been followed by a succession of wider supply chain issues. The hospitality industry has been impacted more than most by the Government's restrictions on trade. The industry lobbied hard to get restrictions eased where it was reasonable and safe to do so. However, for all sites during the period between lockdowns, it created a complex environment within which to operate.

The Government's guidelines on trading at the start of the year demanded a robust response in order to comply with the expectations of local councils. When pubs were able to reopen, many were impacted by the issues with the NHS Test and Trace app, resulting in many members of our pub teams having to self-isolate as a result of being in proximity to someone with the virus. With reduced teams we had to manage our pubs carefully, shutting kitchens when necessary, and even closing pubs on occasion, so that the safety and experience of our guests was not jeopardised.

There remains the risk that the spread of the virus can result in a number of our team members having to isolate and, in some circumstances, may mean we have to once again close kitchens or pubs because of the risk to our guests' experience and the safety of all.

By operating safely, we have demonstrated to Government that its COVID-19 guidelines and regulations can be effectively deployed at our premises. There is no proof that shutting pubs or reducing trading hours reduces the rate of transmission; in fact many have argued that it leads to more social mixing within the home, in conditions more conducive to infection. Further lockdowns and restrictions on trade however remain a risk and Government have indicated this could extend into 2022.

In order to protect the liquidity of the Group the business has cut costs, reduced capex and secured temporary waivers from our bondholders to breach covenants. This has allowed the business to manage its financial risks and operate well within its financial cash headroom. At the start of the financial year the business focused on prudent cash management, which unfortunately resulted in a number of redundancies in response to COVID-19 related restrictions and the reorganisation of the business into a pure pub operator.

The agile nature of our Pub Support Centre to flex working between the office, home and at pubs has helped ensure the continuity of the business. Financial processes, human resources and administrative functions continued unimpeded by the lockdowns. The resilience of our IT system has been further strengthened during the year. Network bandwidth was increased to cope with additional homeworking, upgrades to applications were applied remotely without the need to be in the office, and our investment in cyber defence was increased to better identify and contain any threats.

The continuous operation of our supply chain remains a risk at present, while the economy adjusts and global demand for commodities, technology and energy intensifies. Our food supplies, in particular those from overseas, require unimpeded routes of transport in order to remain fresh. The delivery of goods to our pubs remains strong despite these challenges. The risk has been mitigated by offering a reduced menu and by substituting food items where sourcing has become a problem. Working closely with our suppliers has been critical in order to identify issues early and change our orders where necessary.

The business is currently in a transitional period with CMBC as business processes, systems and IT networks are moved into the control of the partnership. During this period we have run many of the core processes for CMBC, such as the sales order process and payroll, so that their transition can be effectively managed in order to minimise any risk of disruption or loss of data. The transition will conclude next year. The separation of the businesses continues on-track, requiring a dedicated

response from our IT team and the team at CMBC to engineer these changes. Both businesses are working hard to successfully complete the transition of these arrangements.

Risk management at Marston's

The Board and Audit Committee continue to recognise the importance of sound risk management to achieving all our strategic objectives. Keeping risk management integral to the operation of the Group is a priority, requiring a continuous assessment of all threats and opportunities.

The trading environment in which our business operates has changed as a result of the pandemic and is likely to continue to adapt to the needs of our guests and new opportunities. External factors will always change the risks faced by our business, many of which, such as COVID-19, are unavoidable and must be robustly mitigated if our strategic objectives are to be met.

Our risk management processes aim to anticipate risks before they impact upon our activities, to ensure that we are in the best place to mitigate those risks, and recognise the opportunities they may bring in a competitive marketplace. We believe that our guests rightly have a high expectation of our ability to maintain the safety and quality of our products and services.

Risk management is ultimately about control. For all our key risks, we identify the key mitigating controls and their ownership. Our assurance activities are focused upon those controls so we can continually gauge their effectiveness.

The relationship with our guests is implicit to our trade. Our guest surveys provide essential information about our levels of service. We intend to manage the risk to reputation by collecting social media scores on all of our managed and franchised sites. This will better direct the focus on those sites where improvements in reputation matter the most.

We build resilience into our supply chain while recognising the commercial importance of taking risks within an acceptable tolerance. We invest in our

IT network to ensure there is enough capacity and resilience to mitigate the threat of disruption. We actively consider and rehearse for unexpected scenarios which could impact upon us at short notice. This in turn informs the practices and policies which we follow, and the emergency plans we adopt.

Our code of conduct, The Marston's Way, is aligned with our corporate policies to articulate what the business expects of our employees.

Our appetite for risk

The Board's appetite for risk is a statement of the degree of risk the Group is prepared to accept in order to achieve its business strategy. The statement reflects the level of involvement the Board takes in matters of risk and the shared understanding of the risk management practices operated and their degree of effectiveness.

Marston's is open to taking risks, providing those risks align with, and help us to achieve, our strategic objectives in a responsible way and within agreed parameters. Marston's will, wherever possible, remove those risks completely that pose a threat to achieving our strategic objectives.

If avoidance is impossible, Marston's will seek to mitigate risk by investing in effective controls or by sharing risks with a third party. These controls are managed and monitored to give assurance that the risk level is in accordance with the parameters set by the PLC Executive Committee. Our overriding principle of care remains integral to achieving our strategic objectives. We continually review the risks affecting our business to ensure we maintain our responsibilities to our people, guests and the public, by guarding against threats to health, hygiene and safety as an absolute priority.



Risk and Risk Management continued

Current key risk drivers

A. Pandemic

The risk of further waves of infection, or new variants of the virus, still dominates the spectrum of risk for the business. The rollout of the vaccine during the reporting year has allowed the hospitality industry to reopen its sites without trading restrictions. There remains the risk that restrictions, or even lockdowns, could be re-imposed if the Government considers again that the NHS is under threat and that closing venues will result in fewer opportunities for transmission.

B. Liquidity

The disruption to trade and the consequential impact of COVID-19 on profitability could affect the Group's ability to gain additional financial backing should the Group not be able to secure additional waivers. During the year, Marston's used proceeds from the creation of CMBC to paydown debt, and its target to reduce debt further helps to mitigate this risk.

The pandemic had a short-term impact upon the business; following the reopening, the demand for pubs and room accommodation has surged, demonstrating our long-term viability.

C. Health and safety

The pandemic increased the threat to public safety everywhere. We recognise that the safety of guests and our people is critical to the continuing operation of our sites. Marston's has proved its ability to operate within the Government's guidance and regulations. Our development of a new food information system this year has enhanced the flow of information regarding food ingredients from our suppliers to our pub teams.

D. Supply chain

During the year the business has experienced disruption to its supplies of CO₂ which is used in the dispense of drinks at the bar, and also used by our food suppliers within production and packaging. The risk was largely mitigated through planning and monitoring supplies, and the Government has now provided direct support to the CO₂ producers to restore capacity. Also, the shortage of HGV drivers, and certain food and drink products, impacted the delivery of supplies to our sites; this has been mitigated by working with our suppliers to identify problems early so that substitute items can be arranged that do not diminish the enjoyment of our guests.

The Government has delayed the full border checking of goods coming from the EU until January 2022; this is a welcome announcement, particularly while supplies remain stretched. The Government's preparations for these checks have not been tested and at present it is unknown whether or not the checks will result in delays.

E. Recruitment and retention

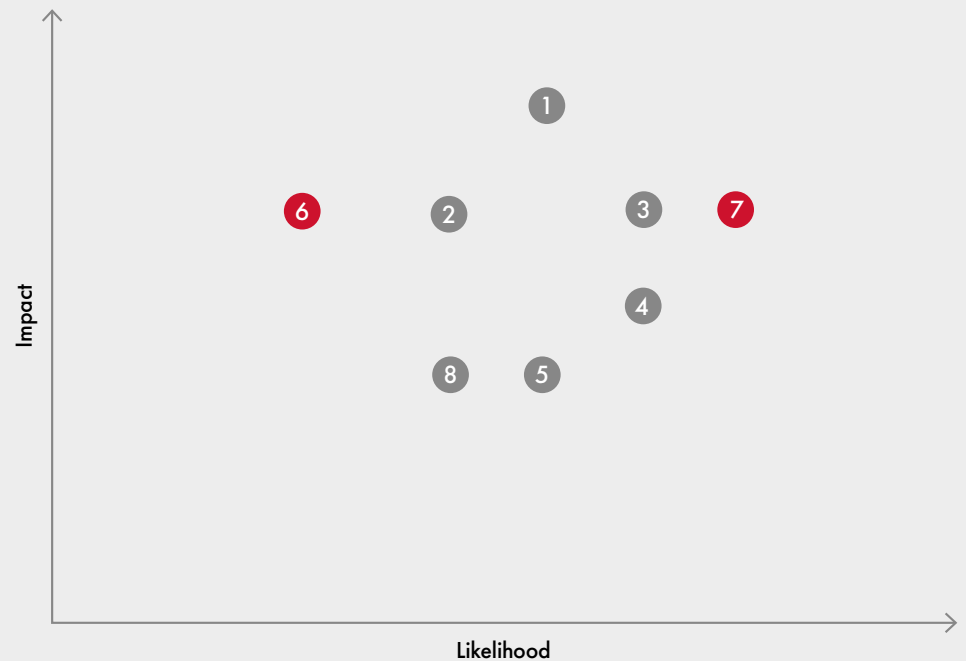
It is likely to be more challenging in the near future to recruit. Post pandemic there are more vacancies within the hospitality sector. In order to mitigate this, the business has reviewed its competitiveness at recruiting the best people.

We actively manage the engagement of our people, surveying and reporting back to our teams the steps taken to address their concerns, and listening to their suggestions. We act to keep pay and rewards competitive, and respond quickly when issues regarding retention are identified.

Principal risks

The risks are plotted on the matrix according to impact and likelihood. The placing of the risk reflects the position after the mitigation by controls.

- | | |
|----------------------|---|
| 1. Pandemic | 5. Financial covenants, pension fund deficit, and accounting controls |
| 2. Liquidity | 6. Market and operational |
| 3. Health and safety | 7. Political and economic risk |
| 4. Food safety | 8. Information technology |



Key ● Increasing risk ● No change in risk



Our Principal Risks and Uncertainties

The Board recognise the following principal risks as those that could impact upon the operation of the business and the achievement of its strategic objectives.

The Group's risks change over time and consequently this is not intended to be a complete assessment of all risks.

Pandemic risk remains as an individual key risk due to the continued uncertainty of any future restrictions and their impact upon operations. It remains as one of the few risks which can result in the complete shutdown of our pub estate.

Key



Increasing risk



No change in risk

1. Pandemic

Risk context

COVID-19 uncertainty regarding the continued impact upon public health and our behaviour. The duration of measures taken to reduce the infection rate is uncertain.

The risk

There is a risk that infection rates increase leading to further restrictions on the public and further trading regulations for pubs and lodges.

Potential impact

Ability of our teams to operate safely.
Reduced numbers of guests, and shorter stays.
Increased operating costs.

Mitigation

- Tracking Government advice and implementing it effectively.
- Adaption of our pubs to facilitate social distancing.
- Training our team members.
- Building contingency plans for future lockdowns.
- Consulting with our employees on safety concerns and operational issues.
- Simplified menus, streamlined guest offering to concentrate upon offering the highest guest satisfaction at the right margin.
- Regular scrutiny of asset values.

Movement – No change in risk: COVID-19 remains a risk to our business. The world is still in the midst of the pandemic. Future variants of the virus are possible while vaccination rates remain low in many countries. Future Government restrictions on trading could be announced in response to the NHS once again coming under pressure.

Opportunity: Our pubs were sorely missed during the lockdowns, demonstrating their importance to communities. Pubs can benefit from the increased spend by the public within the locality of their homes due to changing work location patterns, and more holidays taken in the UK. The changing marketplace creates opportunities to stand out to our guests.

2. Liquidity

Risk context

Financial strategy is to reduce debt.

The risk

While the UK recovers from the pandemic there is still a risk of regional lockdowns or national measures which could impact upon the ability of the pubs to trade.

Potential impact

The liquidity of the business could come under strain as a result of steps taken by the Government.

Mitigation

- Significant headroom in our bank facility to provide operational liquidity. See page 31 for our Viability Statement.
- Reduce debt.
- Conserve liquid funds by reducing costs.
- Maintain strong relationships with financial backers.
- Continual demonstration that pubs can operate in a COVID-19-safe manner.
- Lobby Government on the importance of the pub trade to the UK economy.
- Plan for resilience within our financial model to cover further short-term disruption.

Movement – No change in risk: Uncertainty remains regarding the UK recovery from the pandemic, infection rates and future Government policies.

Opportunity: In the medium-term, competition may reduce as a result of operators having scaled back their activity, or left the market, bringing opportunities at the right rate of return.



Our Principal Risks and Uncertainties continued

3. Health and safety

Risk context	The risk	Potential impact	Mitigation
<p>The safety of our guests, our people and the public is fundamental to our activities. We seek to attain the highest levels of safety. Lapses of safety damage the trust and reputation of the Group.</p>	<p>Breaches of health and safety regulations attract media attention and high penalties.</p> <p>Further COVID-19 trading restrictions.</p>	<p>Financial penalties.</p> <p>Significant damage to reputation.</p>	<ul style="list-style-type: none"> • Health, safety and hygiene management systems embedded. • Operating instructions amended to reflect Government instructions. Pub teams trained on the new instructions. Pubs audited on their implementation. • Dedicated safety advisers seeking continuous improvement. • Regular independent expert safety audits at our pubs. • Training of team members. • Escalation of potential safety threats to senior operational management.

Movement – No change in risk: Breaches of safety are taken seriously by all levels of our business. When our systems of control are found to be at fault, we confront any failing honestly, in order to learn and build stronger processes for the future.

Opportunity: In a competitive marketplace there is an increased opportunity for us to be differentiated by our absolute commitment to guest care and building long-term trust.

4. Food safety

Risk context	The risk	Potential impact	Mitigation
<p>The provision of accurate and reliable information on food to our guests is paramount.</p> <p>Our guests trust in our high standards of food hygiene, but this can be quickly eroded by individual incidents.</p>	<p>Breaches of food standards regulations attract adverse media attention and high penalties. Public concern over allergens continues to grow.</p> <p>There is a risk that information is collected incorrectly from our suppliers and/or misinterpreted for our menu items. There is also a risk if a team member mis-advises a guest on ingredients, or serves the wrong meal.</p> <p>Increased regulation directly affecting Marston's, or our suppliers, could increase the complexity of the information to be provided and the cost of compliance.</p>	<p>Financial penalties.</p> <p>Significant damage to reputation.</p>	<ul style="list-style-type: none"> • Maintain excellent levels of compliance through policies, training and monitoring. • E-learning module on allergens for completion by all pub team members. • Working with our supply chain to maintain robust systems for identifying constituent food ingredients. • Due diligence on accepting new suppliers, monitoring and tracking. • Tracking meal constituents all the way through to our menus and the descriptions contained therein and the accompanying allergens lists supplied to our team members and the public. • Rigorous investigation of complaints. • Tracking legislative changes and adapting operations. • Food information system facilitating the collection of detailed information on food constituents, providing a clear audit trail and removing, where possible, the chance of manual error. • Smaller menus than previously, allowing a greater focus upon quality.

Movement – No change in risk: The risk remains significant because of the wide variety of food items we source, and levels of food intolerance amongst the public.

Opportunity: There is an opportunity to enhance Marston's reputation for food safety and the care of our guests. Our implementation this year of a new food information system will allow us to collect and provide more detail to our guests and enhance safety further.



Our Principal Risks and Uncertainties continued

5. Financial covenants, pension fund deficit, and accounting controls

Risk context	The risk	Potential impact	Mitigation
<p>The Group's financial system handles many transactions accurately and securely. Accurate reporting is key to running the business effectively, and in compliance with our financial covenants.</p>	<p>Breach of the covenants with our lenders. Incorrect reporting of financial results. Unauthorised transactions.</p> <p>The pension deficit will increase while investment yields fall.</p> <p>Further lockdowns or other COVID-19 safety restrictions could impact upon the normal operation of our pubs and lodges. Covenants could be impacted by a fall in profit.</p>	<p>Loss of investor confidence and reputational damage. Breach of covenants, resulting in additional financial operating restrictions.</p>	<ul style="list-style-type: none"> • Covenant waiver permission sought from bondholders/financial lenders. • Regular detailed management accounts, budgets and forecasts. • Detailed financial data collected from our sites. • Financial auditing of our sites based on data analysis. • Constant monitoring of financial ratios. • Internal and external audits. • Segregation of duties. • Access controls within our systems. • Levels of authority. • Commitment to reduce debt. • Management of the pension's investment portfolio to spread risk.

● **Movement – No change in risk:** There are strong controls mitigating this risk to a low level. Uncertainty regarding further Government imposed COVID-19 safety restrictions in the future remains. The impact on our covenants is reduced by clear communications to, and engagement with, our lenders which explains the effect of the current trading conditions.

Opportunity: To further strengthen our relationships with our bondholders, communicating information on the business and its recovery from the pandemic.



Our Principal Risks and Uncertainties continued

6. Market and operational

Risk context	The risk	Potential impact	Mitigation
<p>Marston's revenue is dependent upon being able to offer, and attract, our guests to an enjoyable experience of high quality at the right price. It is reliant upon attracting back existing guests and winning new guests.</p> <p>Marston's competes for high calibre people to operate our pubs. Our strategic objectives are heavily reliant upon the quality and training of our people.</p> <p>Uninterrupted operations are dependent on the continual supply of goods and services often from single sources.</p> <p>The operational performance of our partnership with Carlsberg is materially significant to our total profit.</p>	<p>Failure to attract or retain the best people negatively impacting pub performance. Recruitment could be more of a challenge due to the high number of vacancies currently within the sector.</p> <p>Disruption to key suppliers, particularly those closely involved with our day-to-day activities (logistics, food, drink), or shortage of commodities could significantly impact Marston's operations.</p> <p>Disruption to food supplies from the EU due to administration, or customs checks, impacting upon our offering to guests and our cost base.</p> <p>That our pubs, brands or services fail to attract guests, do not reflect changing preferences, or offer poor service or quality. Equally there is a risk that our prices become uncompetitive.</p> <p>Inflationary pressure on costs might be difficult to pass on, resulting in reduced margin.</p>	<p>Reduction in the number of sales or lost opportunities to increase our value proposition.</p> <p>Reduction in guest satisfaction levels, and repeat visits to our pubs.</p> <p>Increased costs as a result of seeking alternative suppliers.</p>	<ul style="list-style-type: none"> • Continual awareness of our people offer compared to our competitors through participation in appropriate networks. • Improved training, induction and development programmes. • Surveying the engagement of our employees and identifying action points for teams. • Continual assessment of guest preferences; market and consumer insight data. • Continual analysis of sales performance data of single sites and by pub format. • Pricing strategy built upon careful analysis, in sufficient detail, of guests' sensitivities. • Marketing, including digital marketing campaigns. • Cost control, including menu margin analysis. • Investment, location and design of our pubs. • Continual assessment of suppliers' resilience and capacity. • Site visits to our suppliers to assess crisis planning. • Contingency planning: identifying how products or services can be substituted.

Movement – Increasing: Competition to recruit the best people is likely to increase during the 2021/22 financial year. Short-term supply chain problems are increasingly likely to create some disruption, which the Group will seek to alleviate. The operation of our pubs could be impacted upon by further, or extended, trading restrictions as a result of the pandemic.

Opportunity: Post pandemic, pubs have an opportunity to build on the renewed interest in pubs.



Our Principal Risks and Uncertainties continued

7. Political and economic risk

Risk context	The risk	Potential impact	Mitigation
<p>The Government could bring in additional restrictions for pubs and lodges to operate within.</p> <p>Supply chain issues could continue to create operational problems for our suppliers.</p> <p>Inflationary pressure could increase the cost of the Group's inputs, whilst undermining consumer confidence.</p>	<p>Supply chain disruption could reduce the ability of the UK to recover and grow the economy. It could also fuel further inflation resulting in less disposable income for consumers.</p> <p>The import of goods from the EU could be disrupted by the Government's plan to start customs checks in early 2022. Fresh food is reliant upon fast delivery. In the event of disruption, it could be difficult to source alternative supplies of food and drink for the same cost.</p>	<p>Costs of food, commodities and equipment could rise as a result of a lack of supply.</p> <p>It may be harder to secure long-term agreements with our suppliers.</p> <p>Customs duty border checks could disrupt our supply chain impacting upon the availability of food and drink brands to our pubs.</p>	<ul style="list-style-type: none"> • Positioning our guest offer at the right price point. • Continue to lobby Government on the COVID-19 safety measures operated within our premises. • Continual assessment of supply contracts and renegotiation of terms when they fall due, to protect our business from customs duties. • Where feasible, working with our key suppliers to hold stocks in the UK of food and drink sufficient to cover short-term disruption. • Consider alternative sources of supply if our suppliers have trouble importing goods.

Movement – Increasing: We recognise the disruptive effect that cross-border controls could have upon our imports, and those of our suppliers. Increasing inflation would impact the cost base for many of our suppliers and pub operations, and also for our tenants.

Opportunity: The Government's delay in custom checking all goods from the EU until the start of 2022 is welcome, and will hopefully result in greater efficiency during the customs declaration process. Pubs normally remain very competitive when prices are rising in the economy, offering an experience which is value for money.



Our Principal Risks and Uncertainties continued

8. Information Technology

Risk context	The risk	Potential impact	Mitigation
<p>Our business activity is reliant upon the Group's IT network to communicate, operate effectively, serve our guests, process transactions and report on results.</p> <p>The continuous operation of our business is dependent upon the uninterrupted running of our computer network, site links and the internet.</p> <p>An increased cyber threat as criminals try to take advantage of the increase in homeworking compared with two years ago.</p> <p>Marston's handles the personal contact details of many of its guests who opt to use the Wi-Fi or receive mails, as well as a large number of employees.</p>	<p>Threats to IT are both external and internal and could result in a network outage, loss, theft or corruption of data or denial of service.</p>	<p>Reduction in the effectiveness of operations, business interruption and loss of profit. Regulatory fines as a result of the loss of data.</p>	<ul style="list-style-type: none"> • Anti-virus and firewall protection. • Access control, password protection and IT policy adherence. • Network controls and monitoring. • Penetration testing and remediation. • Backup procedures. • Data recovery plans and rehearsals. • Raising employee awareness regarding IT security. • Data security policies, processes and training. • Data breach incident response plan and scenario training. • Work at home policy. • Additional network bandwidth and additional VPN access.

Movement – No change in risk: Global cyber risk has evolved in recent years, targeting the theft of personal data, launching ransomware attacks and intercepting transfers of money. Marston's has invested in its network protection, firewall and device monitoring functionality. Penetration testing is conducted on its network and, each year, specific cyber risk reviews are conducted on security by an independent team.

Opportunity: The ability for our support teams to securely work from home, as required, creates greater agility and resilience for the business. Our engagement with guests through technology in a cyber secure manner creates more digital marketing opportunities.



Our Levels of Defence

1. Management ownership

Our managers are responsible for identifying risks, monitoring them and operating the control environment necessary to mitigate them to a level which is within the risk appetite of the business.

Governance framework

The Group operates within a clear set of policies established by the Board, and the PLC Executive Committee (PLC Exec). Adherence to these policies governs the parameters within which the business accepts risk. Authority is delegated through the business to ensure that management is empowered to operate effectively while staying within the system of governance approved by the Board. Authority levels are aligned with levels of management and the degree of responsibility over risk. Changes to policies occur at the instigation of management, in response to either new threats, legislation or new opportunities.

Management are responsible for monitoring and reporting upon the effectiveness of the business's key controls to the Board via the Corporate Risk Director. A record of these controls is kept in our Corporate Risk Register. The managers' assessment of the effectiveness of the key controls is collected by our Internal Audit team and tested during the year. The assessment of the controls by management is reported to the Board.

The key features of the internal control system are:

- A clearly defined management structure operating within a framework of policies and procedures covering authority levels, responsibilities and accountabilities. Policies are communicated to the appropriate employees. Policies applicable to all our people are communicated on induction and cross referenced by our code of conduct, The Marston's Way.
- Embedded risk management into day-to-day activities.
- Ensuring that our operations abide by all applicable laws and regulations.

- Continual improvement by reporting on effectiveness, recognition of weaknesses, additional investment and by encouraging achievement.
- A detailed formal budgeting process for all activities, with the annual budget and projections for future years formally approved by the Board.
- Established procedures for planning, approving and monitoring capital expenditure and major projects designed within a sound framework of risk management.
- Board approval requirement for all major investment, divestment and strategic plans and programmes.
- At each of their meetings the Board reviews financial and non-financial progress towards the strategic goals.

Control systems are designed to manage rather than eliminate risk. By their nature, such systems provide only a reasonable and not absolute defence against material errors, losses, fraud or breaches of the law.

2. Committee oversight

The PLC Exec meets regularly to consider how to implement the actions required to achieve business objectives, and to monitor risks and opportunities.

The PLC Exec take ownership of the implementation of the business strategy, the operation of the business to meet operational and financial targets, and the design of internal controls to reduce risks. The PLC Exec understand the business's appetite for risk and direct management to collect information through internal processes, in order to measure that the control of risk is within that appetite. In turn, management consider, communicate and implement the decisions on risk made by the Board and the PLC Exec and report on effectiveness.

Within our management structure we operate several committees in order to focus attention upon areas of risk requiring senior management attention:

Risk & Compliance Committee

(Chaired by the Group Secretary) The Committee reviews the identification of the principal risks and considers the alignment of internal audit testing to the risks. It also conducts a focused examination of areas where risks are significantly changing. The Committee tracks the emergence of new legislation and monitors the Group's preparation for compliance. New policies are considered by the Risk & Compliance Committee before submission to the PLC Exec and, where appropriate, the Board for approval.

Data Security Committee

(Chaired by the Group Secretary) The protection of personal and commercial data is considered. The representatives on the Committee are those where the risks to the business are higher: employee data, marketing data, pub operations data and IT security. Our data security policy and management processes are maintained to govern legal compliance. All employees receive data training on induction and at appropriate intervals. Data security guidance is always available to our employees. Our data security Incident Response Plan is practised annually in order to guarantee an effective response to any data breach.

ESG Committee

(Chaired by the Corporate Risk Director) This year we have redefined our corporate responsibility approach in terms of Environmental Social and Governance (ESG). By doing so we have aligned our corporate responsibility with the key interests of our stakeholders categorised as either environmental, social or governance. The Committee defines the ESG priorities of the business, identifies the relevant actions taken by management and considers progress of those actions against targets. See our Resources and Relationships on pages 32 to 43 for more information on our key areas of responsibility including people, guests, community, partners, suppliers, and the environment.

Business Continuity Steering Committee

(Chaired by the Corporate Risk Director) The resilience of the Group to events outside of its control is considered, and the lessons learned from any actual incidents or scenario tests. The Committee considers the threats to our continual operation, the resilience of our business to cope with the unexpected and the rehearsal of emergency plans. Consideration is given to the resilience of our supply chain, their own planning as well as our ability to seek alternative supplies at short notice. The Committee is briefed on improvements to IT resilience, its protection from interference and its recovery plan.

3. Assurance governance

The Risk team comprises the Corporate Risk Director and the Internal Audit function. The team reports to the Group Secretary who is a member of the PLC Exec and can elevate matters regarding risk where appropriate to the Board. The Corporate Risk Director attends the Audit Committee meetings and can raise any concerns regarding risks independently.

Enterprise Risk Management (ERM)

The Corporate Risk Director, who heads the Risk team, operates an ERM process in order to identify, monitor and report on those risks which could impact on our ability to achieve our strategic objectives. The key risks and controls are recorded in our Corporate Risk Register. The ownership and assessment of risks is discussed and recorded during bi-annual meetings with the relevant and responsible managers.

The Corporate Risk Register is shared appropriately with the managers in order to keep it current and relevant with the business. We use common risk management tools and language to engender cross functional consistency and measurement across the Group.

Levels of insurance cover are managed by the Corporate Risk Director with the authority of the Board and in consultation with external advisors. New levels of insurance and cover are considered each year in the context of the changing risks and external threats.



Our Levels of Defence continued

Internal Audit

The Internal Audit function is managed by the Corporate Risk Director, and is independent from the operations of the business. Internal audit strategy is risk based and testing is focused upon the greatest risks to the Group. The strategy has been approved by the Audit Committee and aims to provide a sufficient level of assurance regarding the strength of the control environment as well as supporting continual improvement in risk management.

The Internal Audit plan is produced by the Corporate Risk Director. The plan takes into consideration the key risks within the business, recorded in the Corporate Risk Register, areas of increased risk and the regularity of the testing. The plan is developed in consultation with the PLC Exec and the Risk & Compliance Committee and takes into account areas of concern which require additional assurance from audit testing. Where necessary resource and expertise are sought from an independent professional internal audit co-source for individual projects. The budget for internal audit is submitted annually for approval by the PLC Exec and the Audit Committee.

Internal audit projects are planned with the assistance of senior management and the results are reported to the business, the Risk & Compliance Committee and the Audit Committee. Our internal audit co-source assists with some of the projects associated with higher risks or which require specialist skills.

The Risk team audits the strength of financial controls within the pubs, using data analysis to identify areas of concern. The results of this testing are communicated to the operational managers and follow-up audits conducted to measure improvement. The team also tests compliance of all the tenanted sites to their drinks contracts.

4. Strategic

The PLC Exec is chaired by the Chief Executive Officer and comprises, amongst others, the two operational directors who are responsible for the implementation of strategy and for carrying out actions directed by the Board, monitoring performance and overseeing risk management and internal control. Actions required are communicated to the senior managers within the Group.

5. Board/Audit Committee

The Board is ultimately responsible for the Group's framework of governance, internal control and risk management. The mitigation of risk is delegated to the Executive Directors and other senior management. The Board is responsible for ensuring that management review and report on the effectiveness of the internal controls. The Board is also responsible for understanding the nature and extent of the principal risks, its risk appetite and the Viability Statement.

Management reporting to the Board must be in sufficient detail for the Board to assess its risk appetite in the context of the risks and opportunities, and to make informed decisions in order to accomplish the strategic objectives. During the year, the Board has robustly assessed the risks and opportunities faced by the business, considering the ability of the business to achieve its strategic objectives and the impact of emerging legislation.

New Non-executive members of the Board are inducted into the business through meetings with senior managers, the PLC Exec, the finance team and external advisers. This gives new members the opportunity to understand the challenges for the business, risks and the controls and processes operated. New members are also given a pack of information on business operations and access to previous Board and Committee minutes as appropriate.

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code 2018, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years. Consistent with the previous year, three years continues to be adopted as an appropriate period of assessment as it aligns with the Group's planning horizon in a fast moving market subject to changing consumer tastes in addition to economic and political uncertainties, and is supported by forecasts as approved by the Board. It also aligns with the Group's capital investment plans and gives a greater degree of certainty over the forecasting assumptions used.

The Directors' assessment has been made with reference to the Group's current position, its financial plan and financial planning process, comprising a detailed forecast for the next financial year, together with a projection for the following two financial years. The plan also reflects the Group's principal risks and uncertainties set out on pages 24 to 29, specifically pandemic (risk 1), liquidity (risk 2), market and operational (risk 6) and political and economic (risk 7) risks.

To assess the impact of the Group's principal risks and uncertainties on its long-term viability, a severe but plausible downside scenario was applied to the Group's financial forecasts in the form of reduced sales, the closure of pubs from restrictions imposed, increasing costs and increased borrowing costs. It is assumed that the Group's financial plans would be adjusted in response to each scenario by reviewing controllable cost and discretionary costs alongside capital investment.

The principal risk currently facing the business relates to the continued uncertainty surrounding the COVID-19 pandemic (risk 1) and subsequent variants and the consequential impact on trading should any future restrictions be imposed, thereby inhibiting activity and sales income. The Group has reviewed this possibility in the forecast scenarios and sensitivities by incorporating a further lockdown (downside scenario) and pub

opening restrictions at a national level for a two-month period in January and February 2022 in line with the previous year's Winter lockdown. Whilst the experience of the pandemic could be expected to lead to lasting changes in both guest behaviour and competition in the hospitality sector, in making this assessment the Group has taken the view that the material adverse impact of the pandemic on sales, through trading restrictions, will be temporary in nature and should not extend to any material extent beyond 2022.

Liquidity (risk 2), both secured debt and unsecured facilities, are assessed in the forecasts and in both the base case forecast and the severe, but plausible downside case the Group will be required to seek amendments to covenants on its financing facilities. Whilst there is no certainty that these amendments will be granted (this has been disclosed as a material uncertainty over going concern in the financial statements), given our experiences to date we are confident of securing these where necessary. In all scenarios the Group continues to remain profitable with sufficient liquidity.

In the forecasted period the Group is required to refinance its unsecured facility in March 2024 and it has been assumed that this would be on the same commercial basis.

The resilience of the forecast considers, market and operational (risk 6) and political and economic (risk 7) risks, focused on the impact on sales of the slower return of guests to pubs alongside increasing costs from inflationary pressures and regulatory changes. The forecasts considered market insight and trends based on changing consumer behaviour and therefore considered the allocation of capital to adapt to these trends.

In making this statement, the Directors carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Principal risks and uncertainties set out on pages 24 to 29 are the result of internal risk management and control processes, with further details set out in the Audit Committee's report on page 57.



Our Resources and Relationships

Our business is dependent upon resources and relationships, and our long-term success will be sustained by carefully managing both.

This year we have considered both through the perspective of Environmental, Social and Governance (ESG), recognising that the ESG framework is how many investors and analysts collect comparable data. Marston's has for many years invested in corporate responsibility, recognising the important social purpose of pubs to communities, as well as operating ahead of our sector on environmental improvements such as zero waste to landfill and installation of electric car chargers.

Our social responsibility

As the country emerges from the pandemic we have re-evaluated what pubs mean to their communities. During the lockdown, pubs were sorely missed as social hubs and familiar places for people to see each other. Before reopening we worked hard to refurbish, develop outside areas, redesign gardens, decorate and clean our pubs, determined to come back stronger. Pubs are unique spaces which reflect the character of their area and are welcoming and inclusive for all.

During the lockdown periods and ahead of reopening our business, we also invested in our people through training and learning opportunities, as well as providing resources on helping our people manage their financial, physical and mental health. We recognise that it is important to invest in and support our people, who in turn look after our guests and the communities we serve.

In order to reflect this, we are seeking to identify a champion ESG Social target which will express the importance of our commitment to local pubs and their communities.

Our environmental responsibility

Our plan for achieving Net Zero emissions will be a key focus during the year ahead. We are targeting to reach Net Zero carbon neutral on Scope 1 and 2 emissions by 2030, and on Scope 3 emissions by 2040. We have worked with the Zero Carbon Forum to adopt a plan which is practical and cost effective. Over the past year we have launched projects to move us significantly further along the road to achieving Net Zero, including sourcing renewable electricity, building control optimisation and employee training.

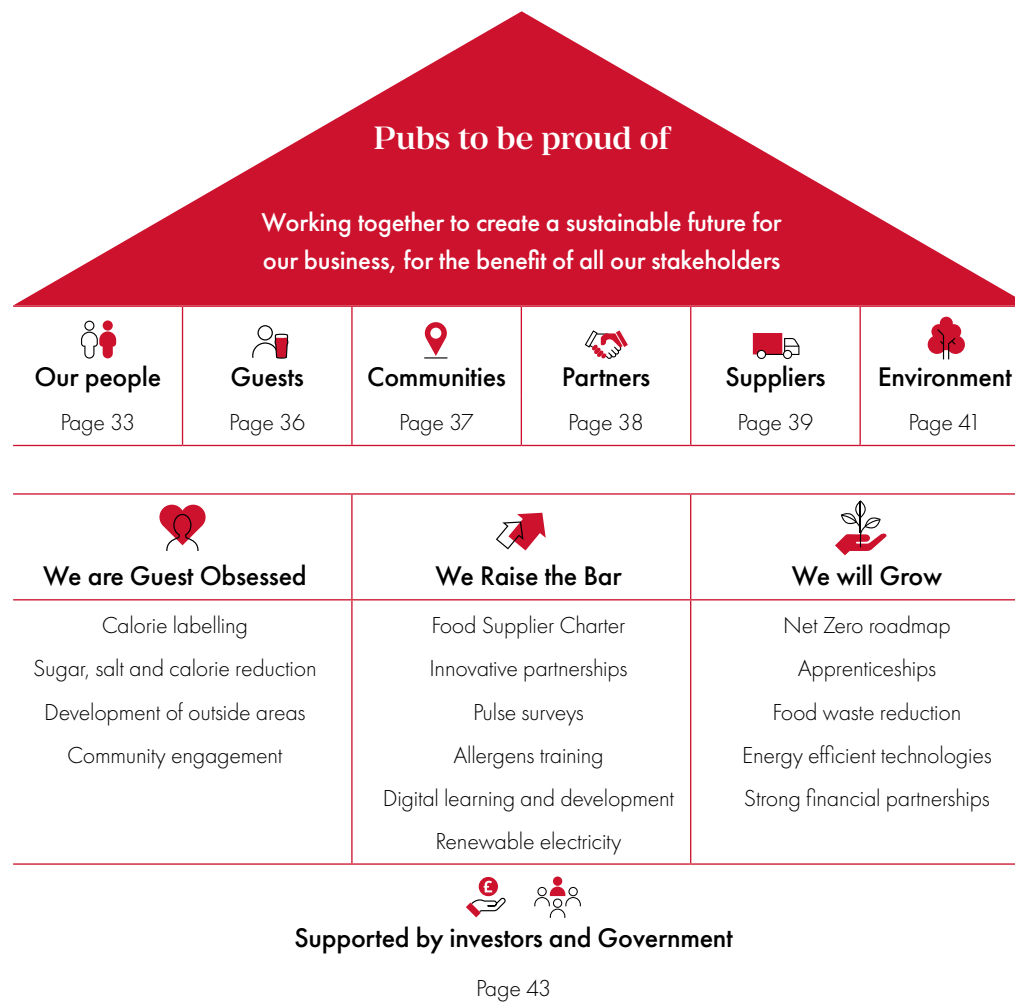
A key area identified this year for future improvement is food waste, which is an issue for our business and for the nation. It is both a waste of resources and contributes to gas emissions which are harmful to the environment. We are in a position where all the food waste, separated and collected, can be measured. This data is provided by our waste collector by site, and now presents an opportunity to monitor and benchmark volumes over time. We intend to investigate the causes of waste to identify opportunities for reduction. Working with our pub teams, we will identify operating practices which can be configured better to reduce waste, and with our suppliers on the formulation of food and the associated issue of packaging waste.

We are confident that volumes can be reduced, particularly through campaigns and awareness raising. In the year ahead, as we develop our understanding of how food waste occurs within our pubs and our supply chain, we intend to set targets internally, the progress against which we shall report in the future.

We have identified a range of other ESG targets including environmental targets concerning emissions and recycling. Our progress on these ESG targets will be monitored by our ESG Committee, which reports progress to the PLC Exec Committee and to the Board.

For more information on our approach to ESG, please see www.marstonpubs.co.uk/responsibility.

Our approach to ESG





Growing and Strengthening our Resources and Relationships

We invest in our people

The achievement of our strategic objectives is dependent upon the quality of our people. We recognise the responsibility we have supporting and developing our teams. Our communications are key; both our ability to share information but also to listen to our people in order to continually drive engagement.

Our people purpose aligns to our competitive strategy – delivering great guest experiences. The engagement and enablement of our teams remains front and centre of our plans. The activity underpinning the people strategy continues to be focused on supporting our pubs and our teams to deliver great experiences to our guests, using the pressure test question of “Does this better enable our teams to deliver a great guest experience?”. This ensures we remain focused on the people priorities that support and deliver our business plan.

This year we have worked on embedding the principles of a great business, starting with the newly formed Leadership Group and taking this into the organisation through our new behavioural framework.

Once again our employees have shown their resilience and commitment, many of whom were furloughed during the lockdowns. On reopening the pubs, the level of pride our people have in their work was an inspiration; from deep cleaning their premises to rapidly adopting new working practices to ensure safety and being ready to welcome guests back. When our people came back to work, they were enthusiastic to offer a warm and safe welcome to returning guests and do all they could to bring back the pub experience that our guests love.

Caring for our people is at the heart of our philosophy. During the lockdown we worked tirelessly to ensure that our people remained as one team. Our communications were increased to ensure that everyone received clear messaging on the information they needed to know and act upon, whilst still focusing on morale and wellbeing. Our one team approach is at the heart of how we operate. This year we have expanded our channels of communication with the introduction of Yammer, to quickly share news across the business. This allows our people to create and join individual communities focused upon topics of interest. Ideas can be quickly disseminated and collective viewpoints gathered. This allows everyone in the business to be connected in a way that was not possible before.

We have always believed that the long term development of our people, their confidence, skills and experience, is a responsibility of the business. We recognise that their personal development is a critical requirement for sustained commercial success. We succeed together because of the alignment of our corporate values with individual values, in turn contributing to our people’s enthusiasm to strive for success and to engage happily and safely with our guests.

Following the conclusion of the disposal of Marston’s Beer Company into CMBC, we have been able to reorganise our teams so that they are in the most appropriate shape to deliver on our promise to operate ‘Pubs to be proud of’. This pub-centric approach has been adopted by all our team members, re-evaluating their own contribution to supporting the operation of pubs.

Areas of focus this year

This year we have invested in a new Digital Learning and Development Team, and over £0.5m into new systems and technology, including Marston’s Campus and Marston’s Skills.

Digital Learning – Marston’s Campus

During the pandemic, it became apparent we needed to not only support our employees’ wellbeing but also give ourselves a solution to deliver training, workshops and career pathways remotely, to enable us to continue building towards a better future. Whilst we had a learning management system, previously known as Talent Academy Online, its functionality did not fit the needs of our newly aligned pub company.

Continuing to partner with CPL Learning and seeing the benefit in having a system that allows for remote delivery, we made the decision to not only upgrade the learning management system for the pubs and our Pub Support Centre, but to make it available to licensees in over 950 of our retail, franchise and tenanted pubs. This investment is one of its kind and allowed us to take the lead in the market for learning and development solutions within hospitality.

Marston’s Campus allows all our employees and partners to benefit from mandatory training, digital training record cards, over 40 e-learning courses, learning on demand tools, self-directed learning tools, podcast channels, a digital course booking system and the ability to digitally record coffee chats/informal 121’s.

This year we have had more than 107,000 course completions by nearly 12,000 users.

Marston’s Skills

After a successful trial in July 2021, we signed a three year contract with worldwide gamification company, Attensi. Gamification is a reward-based learning solution, whereby learnings embed based on the challenge and competition to be ‘top of the leader board’. The repetition of the learning allows for key messages to become more cultural and behavioural led.



Growing and Strengthening our Resources and Relationships continued

Marston's 'Your Voice'

Through our strategic partnership with Peakon, we have this year implemented our engagement survey tool, 'Your Voice'. All our team members are invited to complete a survey of questions aimed at measuring their engagement. The results are reported regularly and confidentially to their line managers. The system also allows our employees to provide comments, again confidentially, which in turn can generate actions for teams to discuss, agree and track progress. Line managers are provided with a dashboard to help manage this process and seek improvements in engagement scores over time. Decentralising our approach will empower our leaders to be more responsive and agile when it comes to driving engagement.

We have recently enhanced this culture of continuous listening through monthly pulse surveys that will give our leaders real time, actionable insight on the engagement and performance of their teams.

Our aim, by collecting employee feedback, is to build an accurate picture of employee experience so that we can address the needs of our people and cultivate a high-performance culture. With the current pace of change, our previous annual 'moment in time' surveys did not enable us to do this.

Apprenticeships

Due to the closure of our pubs this year the number of apprentices reduced to just over 140. We are proud to say that our target for training apprentices will return to 500 next year. Our apprentices were able to take a break in learning during their period of furlough, particularly where line managers and mentors were not available for support. Following the lockdown, 89% of apprentices returned to the workplace and resumed their learning; our focus has been to support them to get back on track and continue progressing through their programmes.

We plan to continue to invest in the skills and abilities of our people as part of the Marston's Apprenticeship Academies at levels 3, 4 and 5; a blended model of learning, through 'know it' webinars, 'show it' skills day masterclasses and 'live it' behaviours. This year we held our first graduation ceremony for 60 of our apprentices who have achieved level 3 or level 4 certificates.

Marston's has also successfully gained funding for 209 new starters under the Government's Kickstarter Scheme. The scheme helps to create job placements for young people aged 16 to 24 years, for a period of 6 months. We consider this an excellent opportunity for young people to experience working for a pub company. To date 60 have enrolled. We expect that 70% of those completing the scheme will stay on within the business.

We aim to continue our work experience programme 'Take 5' next year, which had to be halted this year during lockdown. The programme was developed a few years ago to engage with the next generation of school students and with parents, educators and careers advisers, promoting 'Loving Hospitality', a collaboration with our industry peers.

Our people strategy

Our single people purpose is to engage and enable our teams to deliver a great guest experience, supporting the business on its journey from 'Good to Great'. Our people strategy is aligned with operating a great pub business and has three core strategic pillars.

1. We are Guest Obsessed

We must deliver great guest experiences to all who visit our pubs. The key to this success is the people who work in them; it is therefore critical that we not only attract the very best talent but that we ensure everyone who works for us understands the importance of a consistent guest journey, through mandatory training modules for pubs teams and pub support teams alike.

Closely aligned to our culture and the wellbeing of our people, our reward plan focuses on ensuring that we deliver the basics but also inspire and motivate our people to be the best they can be. Our people are empowered to take the initiative and be engaged in the roles they perform.

We strive to recruit the very best guest obsessed people. Our recruitment campaigns are focused upon attracting people with a passion for hospitality – we only want people who love pubs and want to work for an ambitious guest focused business.

2. We Raise the Bar

We continually strive for improvement in the development of our teams, seeking to understand how to further enhance the engagement and enablement of our people by continuously listening to feedback and supporting managers to take action.

This year we have run a leadership programme from Executive level down to first line management that embodies the values and behaviours necessary to move the Group from 'Good to Great'. Our managers have engaged enthusiastically with this programme, allowing us to identify the key attributes that our business has to have to become a great business.

Our internal communications are focused on four key priorities: to inform, to inspire, to engage and enable, and investment in the way that we communicate to facilitate a greater clarity of focus. We are committed to building an inclusive culture where people feel welcome and included for who they are. This inclusiveness applies to all aspects of employment, recruitment, development and termination of employment. How we treat each other, and our guests, should reflect the caring culture and values that define our business. Underpinning all of this is the support we will continue to provide through our weekly communications to all our people sharing hints, tips and content focused on our teammates' physical, mental and financial wellbeing.

3. We will Grow

We have made good progress in developing our teams. The changes in internal structures as a result of becoming a pub focused operator, have enabled internal talent to be promoted to senior positions including the PLC Exec. We intend to continue to nurture and develop our internal talent and successors by promoting from within, whilst retaining the right balance of external recruitment. We recognise that we need to get better at how we present and promote ourselves as an exciting, fun and progressive employer and our teams are working on representing us as a great place to work. Our vision is to be an 'employer of choice', with a rich and diverse mix of people who reflect the society and communities in which we work and serve.



Growing and Strengthening our Resources and Relationships continued

Digital revolution

As part of the pandemic, communicating with and supporting the training of our people remained our top priority.

In May, we launched Yammer to our Pub Support Centre and to our General Managers in our managed pubs. This is where our people get the latest news and updates from across our business. Here teams can feel part of the Marston's community: one team, share ideas, get involved and have their say.

As previously shared, Marston's has signed a three year contract with Attensi to continue providing a gamified training platform to team members. We launched Marston's Skills back in April this year – a mobile first training platform that challenges players to complete a series of mini games, all of which are based on real-life pub scenarios. Team members have confirmed they prefer this method of training as it is much more accessible and engaging, unlike other traditional methods.

We also launched a refresh of our digital learning platform Marston's Campus, a sleeker, more accessible, mobile-friendly learning platform.

The system hosts:

- Webinars – over 40 e-learning courses, including areas of mandatory training.
- Training record cards for pub teams.
- Self-directed learning opportunities through our 'Discover' section.
- Bespoke training, guides and courses for specific areas of our partners' business such as operational systems, events, recruitment, inclusion, leadership and development support tools.
- Event and training course booking systems.
- Apprenticeship enrolment assistance.
- Certificates upon completion of courses for team members.
- News feature, sharing learning and development news with our partners.



Progress against key targets

1. Employee engagement

Survey responses are collected on a regular basis from all employees using 'Your Voice' and the results are reported back to team leaders. The overall engagement score is broken down into the drivers of the result, the priorities and strengths. Suggested actions for strengthening the score are available within a manager's dashboard that operates on a real-time basis along with learning and support resources. Due to the pandemic we did not conduct an engagement survey in 2020, and in 2019 the survey was collected using a different platform and methodology. This year the engagement score for the Group was 7.9 (8.1 during the lockdown) which compares favourably with the industry benchmark.

Individual comments and suggestions are collected confidentially from the team, displayed within a dashboard that can be shared and provides the basis of discussion with the team and future actions. The system has been received well and is already impacting upon improved engagement. We are targeting an improvement in the engagement score for next year, and further embedding the system by moving to monthly pulse surveys.

2. Great place to work

A strong employer brand will enable us to compete for the best talent and give us more credibility as a business. Our Glassdoor rating is an external reflection of how our employees, both past and present, feel about their experience of working for Marston's. Our current rating is 3.6 and our target is to achieve a rating of 4, which would make us the highest rated hospitality employer and give us a competitive advantage in the talent market.



Growing and Strengthening our Resources and Relationships continued

Welcoming our guests

Offering great quality experiences for our guests is our top priority.

We constantly strive to ensure that our guests' experience is a true pub experience, especially when they have missed so much while the pubs were closed. We worked especially hard prior to reopening to ensure that our pubs and lodges were ready to welcome back our guests and offer them a safe and enjoyable environment in which to drink, eat or stay. We have listened to the feedback from our pub teams and guests to help inform our responses to guest preferences, suggestions or concerns.

Providing good food and drink is at the heart of our business. Keeping that offering special and innovative is what our guests love.

Adapting our food offering and our brands to meet our changing guests' tastes and introducing them to new menu items and drinks is exciting for our business. The recovery from the pandemic has meant that we have reduced the size of our menus to allow kitchen teams, with limited capacity, to deliver guests their most loved dishes to the highest of standards. Our guests have appreciated the shorter menus and have praised the level of quality that we have achieved. We continue to invest in systems and work practices that provide accurate information on allergens and nutritional content. From our suppliers through to our kitchens, and to the information provided to our guests, we have worked to enhance the flow of this data to increase its reliability.

Safety assured upon reopening

We kept our guests informed during lockdown and, on reopening, we communicated the measures we had taken to keep them safe in accordance with the

Government's safety guidance, and our 'Makes Sense' initiative. Our aim has been to ensure guests feel comfortable, relaxed and welcome whilst reassured about safety. Our teams' training encompasses the new safety measures to create the best experience from the outset and ensure our guests are happy to return.

Areas of focus this year

- Calorie labelling on menus will be compulsory from April 2022. Marston's has been involved with the Government's consultation, offering feedback on the draft guidelines and has set up a cross functional group to plan for this.
- Collaborative work with our suppliers has continued to reduce the sugar and calorie content in our menus ahead of calorie labelling. This is being achieved through dish and product redevelopment and exciting new products.
- Natasha's Law became compulsory in October 2021 and has introduced mandatory labelling of wrapped food prepared on site. We have reviewed the food offered by our different pub formats and by our partners in our pub estate. Where the law has an impact, we have provided training or changed products to comply.
- We are meeting the existing salt reduction targets set by the Office for Health Improvement and Disparities (OHID) when creating new menu items. We are working towards the 2024 targets on all our items and, based on our previous work in this area, we are in a good position to achieve these targets.
- We are continuing to commit to redeveloping all own brand products, where egg is used as an ingredient, to be cage free by the end of 2025. All shell eggs have been cage free since early 2019.

- We have maintained our great range of low and no alcohol drinks options. We offer a wider range of soft drinks, from traditional draught favourites to bottled fruit drinks and more adult focused premium minerals.
- We continue to meet the growing demand for hot drinks, keeping our coffee machines at a level of quality that meets the tastes of our guests. We partner with suppliers who source their own Rain Forest Alliance accredited coffee bean.

Our guest strategy:

- We are Guest Obsessed – using insight led decision making and dynamically responding to feedback, we aim to improve the quality of our guest journey and make their stay a happy one.

- We Raise the Bar – we constantly seek to improve guest satisfaction through reducing operational complexity, more targeted and timely communications, further enhancing the capabilities of our support specialists and building on our relationships with our suppliers. Our 'Pride in Plate' programme seeks to deliver the highest quality food from field to fork.
- We will Grow – aimed at our margins, guest loyalty, new visits and return on investment. We continue to work on integrated category plans, ways of rewarding guest loyalty, additional revenue opportunities and more disciplined pub investment decisions.

Progress against key targets

1. Food information system

Our new food information system has gone live this year with our suppliers able to enter data about their ingredients. This major project will improve the collection of information from our suppliers on nutrition, allergens, safety and ESG factors and this is expected to complete in 2021/22. The information will be delivered through to our pub teams, including the kitchen team, to ensure that guest choice regarding food, particularly allergens, is adhered to with the highest degree of accuracy.

The data collected will support the accuracy of calorie information on the menu for food and low or no alcohol drinks and soft drinks, mandatory from April 2022. The system documents the OHID's 2024 salt targets, as well as our targets for reducing sugar and calories. All new products will have to meet these targets, unless deemed an essential branded product where we have less influence with the supplier.

Phase two of the project will be to enhance the information for guests by giving them access in-pub to the live data via screens or tablets.

2. Allergens

Allergens training has been extended to all members of our pub teams, food development team, marketing, customer services and operations teams. The training has reinforced how highly we value the importance of equipping our teams with the right knowledge regarding allergens. We have also launched an allergy auditing programme, which will include visits by mystery guests to managed pubs.

We continue to work with our suppliers to record key drink ingredients to provide clarity to our pub teams and guests. Our intention is to engage with these suppliers in future through our new food information system, in order to expand the detail collected on drinks ingredients.



Growing and Strengthening our Resources and Relationships continued



We are at the heart of our **local communities**

Our pubs are highly valued by, and an integral part of, the communities in which they are located.

These strong relationships are essential for the long-term success of our pubs and form part of the heritage and character of Marston's. We encourage our operators to participate in community initiatives such as Best Bar None, National Pubwatch and Purple Flag schemes. Every year we involve ourselves in community events and fund raising.

Areas of focus this year

- The prime focus this year has been to operate our pubs safely, recognising the important role they play in social life. We kept our communities up to date with our reopening plans aware of how eagerly this was anticipated.
- Investment in our pubs prior to reopening, particularly in our outside areas, to accommodate guests in gardens, under shelters and marquees, in support of efforts to socially distance. We worked on a range of exciting new projects to enhance the outside spaces of our pubs in readiness for when they could reopen. From marquees and awnings to jumbrellas and teepees, we have been busy investing in and creating 'inside-out' areas for our guests to enjoy and come together to share a great experience, even during inclement weather. Working closely with our contractors and suppliers, we have completed no less than 320 projects across our estate so far.

Progress against key targets

1. Encourage our pubs to engage with their local communities

In recent years we have involved our pubs in our Community Heroes Week campaign aimed at raising funds for charities of their choice. The activities were supported by our Pub Support Centre. Unfortunately, the pandemic halted this campaign while pubs were shut. We are currently reviewing how the charitable and community activities of our pubs can once again be supported next year.

2. To match any contributions made to charities by our people through the payroll

We will continue to match the contributions of our employees to the Group's charitable fund. The generous contributions from our employees have provided the means to react quickly to charitable requests during the pandemic.

For more information on community initiatives, please visit the links below:

Best Bar None:
www.bbuk.com

National Pubwatch:
www.nationalpubwatch.org.uk

Purple Flag:
www.nbcc.police.uk/guidance/purple-flag-scheme

Investing in our pubs serving their communities

Investment in our pubs prior to reopening, particularly in our outside areas to accommodate guests in gardens, under shelters and marquees, and support efforts to socially distance involved a range of exciting new projects. These enhanced the outside spaces of our pubs in readiness for when they could reopen and below are some examples of the brilliant work our team members have done.





Growing and Strengthening our Resources and Relationships continued

Support for our **partners** and their businesses

Our pub partners are a key part of Marston's business and the character of our pub estate. We recognise the contribution that a committed partner brings with the determination to make their pub a success.

Marston's recognises that our partners' commitment to their businesses is what determines its success. Trading conditions have been very difficult for our partners this year due to lockdowns, opening restrictions, recruitment challenges and safety precautions. We have supported our partners with a discounted rent during the lockdowns along with advice on grants and other financial support, together with operational guidance whilst trading. Now there is a renewed optimism, which we share, that these businesses are well positioned to take advantage of the increasing popularity of community pubs.

Our partners are free to innovate and create a pub environment that reflects their own ideas about what matters to their guests. Their passion to run the pub creates unique pubs which are prized by their communities. Marston's helps support that passion by offering a range of agreements so that the terms are an appropriate fit for their business model. This year, we have expanded our agreements to offer one similar to our existing franchise, enabling the partner to operate their own food menu. This is particularly suited to food entrepreneurs who want the freedom and flexibility to develop and grow their own food offering.

Having a large managed pub estate means that we are able to share our existing tools and learning platform with our partners. This year we launched Marston's Campus to our partners, sharing the training we have created for our managed teams at no extra cost to them. This has proved very popular since launch.

Our partner strategy

1. Choice/flexibility

The key to success is matching the right pub and the right person to the right agreement. We take time to understand the applicants for our pubs; ranging from seasoned publicans with many years of experience, to those who have never run a pub before but have a burning ambition to do so. We offer a diverse range of opportunities encompassing retail, tenanted and leased pubs. The type of agreement offered reflects the experience, confidence and ambition of the applicant. If we think that an applicant is unsuitable then we are honest about that from the start, recognising that mutual success can only be achieved in a genuine partnership arrangement.

2. Training

All our partners are provided with induction training and, once they have started, receive ongoing training through programmes that provide continued support. Running a pub requires knowledge of licensing, regulatory, legal, health and safety and food hygiene rules, many of which are particular to this industry and are frequently changing. Our training includes everything a new partner needs to know about pub mechanics including cellar management, financial management, ordering, stock control, till systems and marketing. Most importantly, we focus on how they can welcome and engage with their guests and keep them coming back.

3. Business support

Our partners are supported by Area Managers who maintain regular contact and are always available for advice or an urgent need. Our partners benefit from the range of experience held by our Area Managers, offering suggestions and advice to support the profitability of their businesses.

4. Drinks agreement

At Marston's we understand the important part we play in providing a comprehensive range of quality drinks, at the right price, and being able to vary that offer to meet consumer demand, keeping it current and exciting. We never take our drinks range for granted, constantly reviewing them, and we believe that they represent the best quality and value for our partners to offer their guests.

5. Investment

We have the utmost pride in our pub estate, recognising that the character of these buildings is a vital part of the appeal to our guests. Our estates management team is always available to support with maintenance issues or queries to ensure that the buildings are kept safe and inviting for guests. Our refurbishment programme ensures our pubs remain interesting, vibrant and safe places to visit.



Marston's Campus shared with our partners

This year we took the decision to not only upgrade our in-house learning management system, Marston's Campus, for our Pub Support Centre and our managed estate, but to extend it to our partners in over 950 of our retail, franchise and tenanted pubs. For our partners, the platform provides the same e-learning courses, webinars and training record cards as it does for our own teams. It is at no additional cost to them and aligns their businesses to our ways of working. Through great training material and training programmes, it's an additional tool to support our partners.

"As an operator, having access to a learning tool like Campus has made a dramatic difference to my business. The system allows me to train my team members to a very high standard and keeps the team up to date on all relevant information. Having the ability to add more courses to my team as they progress through my business and develop their own skill sets at their own pace is priceless. When recruiting team members I find this system is a selling point as it shows as a business we are dedicated to our teams' development and support. Set your team up, do it as soon as you can and you will see the benefits that Campus will bring to your business."

Sarah Crombie,
Retailer at the Ferry Inn



Growing and Strengthening our Resources and Relationships continued

Our **supplier** relationships are at the heart of our success

As the country has emerged from the pandemic the demand on supply chains has been pronounced. Labour shortages, driver shortages, product scarcity, rising commodity prices and energy costs have all impacted many of the suppliers we deal with. Marston's is not immune to these pressures, but we have worked collaboratively with our suppliers during the year to reduce the exposure and find solutions.

As a consequence, the supplies to our pubs have remained very strong, close to full fulfilment of orders. Certainly, having long-term, often single-supplier relationships, has increased our resilience to short-term shocks.

At a time when many of our suppliers' businesses were fundamentally impacted by the pandemic, they have worked tirelessly to support Marston's, for which we have tremendous gratitude. Our businesses have had to cope with periods of local restrictions, another lockdown imposed with only short notice, followed by an acceleration in demand upon reopening. Our pubs were exceptionally busy during bank holidays, but our suppliers responded admirably, and the pubs did not experience any significant shortages.

Despite the adversities and uncertainties in the current market we have been successful with our suppliers in negotiating and renewing contracts for our core food supplies such as meat and fresh produce. This has demonstrated the commitment of our main suppliers to work through the wider issues impacting upon UK suppliers at the moment. We seek to work with suppliers who reflect our own corporate values, which is demonstrated during the selection process and supported by accreditations. Our management of procurement is centralised in order to effectively govern tendering, contract reviews, authorisations and the secure transfer of data.

Our supplier strategy

Our procurement strategy is built on relationships which create sustainable profitability for both ourselves and our suppliers. Our supplier selection process is designed to ensure that enough information is shared between the parties and the arrangement is mutually advantageous. Knowledge of our suppliers and the proactive relationship involving them in our business and future plans is essential to the mutual trust which we strive for. We value long-term relationships, as evidenced by the duration of many of our core suppliers of food and services to our pubs.

Our drinks supplier: Carlsberg Marston's Brewing Company (CMBC)

From October 2020 CMBC became the single supplier of drinks into Marston's pubs. Our businesses have worked within the framework of a Transitional Services Agreement which has supported both parties, while functions have separated into the new entity. CMBC has kept its levels of supply into the pubs very high, achieving a 100% order fulfilment rate despite wider supply chain challenges post lockdown. The shortage of CO₂ has once again been a problem in the country. This gas is used in CMBC's production process, but it is also delivered by CMBC to our pubs to dispense drink. The shortage is now abating following the Government's assistance to the CO₂ industry.

Food Supplier Charter

Our guests expect a high level of diligence in the sourcing of goods, products and services, to ensure that quality and standards are at the right level, encouraging suppliers to improve their standards where appropriate. We clearly communicate this level of standard required through our Supplier Charter. This sets the standard to which we audit our suppliers, albeit audits at our suppliers' sites this year were prevented during the lockdown.

Our Food Supplier Charter continues to be shared with our food suppliers, both current and potential, setting out our expectations on quality of product, traceability of ingredients, ethical approach, sustainable sourcing and associated employment rights. The Charter conveys our expectations for suppliers to reduce their own environmental impact by minimising unnecessary packaging and choosing recyclable materials wherever possible.

The Charter is updated each year and includes the Office for Health Improvement and Disparities (OHID) 2024 salt targets and calorie targets. Our suppliers work with us to achieve these targets, particularly when new items are launched.

Impact of border controls

The UK Government has delayed the border checks on all goods coming from the EU until January 2022. The UK's infrastructure necessary for these checks is in progress, however, given the other post pandemic factors currently disrupting businesses, the Government recognised that this delay was necessary. The delay suits the pub trade as it moves the implementation beyond the busy Christmas period into the early months of the year when trade is quieter. No rehearsal of these border checks has been conducted so, at present, the efficiency of the system deployed and any necessary, additional administration is unknown. The smooth operation of these checks is of importance to our business, particularly for the importation of fresh food.

Ethical sourcing

Our preference is to select suppliers who like ourselves seek to reduce their environmental impact, thereby reducing our supply chain carbon footprint.

CMBC launched a new sustainability programme this year, with plans to eliminate carbon emissions by 2030, and halve water usage. This is a global campaign by the Carlsberg Group called Together Towards Zero aimed at Zero carbon footprint, Zero water waste, Zero irresponsible drinking and Zero accidents. The first goal is to target carbon emissions from breweries and their wider supply chain. They also aim to source 100% of their electricity from renewable sources by 2022.



Growing and Strengthening our Resources and Relationships continued

Modern slavery

We are full members of SEDEX, which is a platform used by many companies to share information on ethical trading, including employment conditions. During the year we reached out to existing suppliers on SEDEX to share this information.

Our existing food suppliers are prompted by our new food information system to initiate the sharing of ethical data on SEDEX. The data shared by suppliers includes how they are responding to the risk of modern slavery, allowing us to follow up any issues raised. Our full Modern Slavery Statement is available at www.marstonpubs.co.uk/responsibility

Progress against key targets

1. Development of a food information system

NTAssure were appointed to develop an integrated smart food information system to record information on our suppliers' food and drink products. This new system improves the accuracy of data collected from our suppliers by removing manual processes and, in turn, enhances the information provided to guests. The system went live with our suppliers in July. It will take time to incorporate all our suppliers' ingredient data; this is expected to complete during 2021/22 for all food items. Work has also commenced with our drinks suppliers to capture the requisite allergen data.

We are now looking to expand the food information system to provide more live information to guests either on our website or a tablet, specifically around allergens.

2. Allergen training

Last year we launched a bespoke e-learning course for providing allergen information to guests within the guest journey. Our policies and procedures relating to allergens have been reviewed by Anaphylaxis Campaign and Food Allergy Aware. This year we have initiated an allergy audit of our managed pubs. The audit will focus upon our food-led pubs and will involve an unannounced visit in order to provide feedback to our pub teams on how the guest experience was delivered.

Finding solutions with our suppliers

A.F. Blakemore handle the logistics for all of our food deliveries to our pubs. Our individual food suppliers deliver into Blakemore, where the food is stored and then picked to order. During periods of lockdown, we have worked with Blakemore to find mutual solutions for problems encountered, particularly those that reduce stock levels and protect margins. Despite shortages of some food items, together with Blakemore we have maintained an order fulfilment rate to our pubs of 94% on food. In some cases, this has been achieved by substituting food items, while always maintaining the quality and safety of the food. This creates operational demands for us and Blakemore, however, our strong relationship and mutual co-operation has successfully kept our pub orders fulfilled.





Growing and Strengthening our Resources and Relationships continued

Committed to reducing environmental impact

Our plan to achieve Net Zero by 2040 can be summarised as follows. We aim to achieve carbon neutrality for our direct carbon emissions (Scope 1 and 2) by 2030. This is bold but achievable. At the same time we will be working with our supply chain to reduce our indirect emissions (Scope 3) to achieve total Net Zero by 2040.

We are a member of the Zero Carbon Forum (ZCF) which is supported by UK Hospitality and the BBPA. Working together we have developed a Net Zero plan that is in step with our market sector. The forum has written an industry roadmap to Net Zero, which will assist us in developing our own pathway.

The ZCF's data findings for the pub sector show that 9% of emissions come from Scope 1 and 2 (e.g. fuel and electricity consumed directly) and 91% of emissions are associated with Scope 3 (e.g. purchased goods and services and logistics). The key challenges for ourselves and our supply chain include decarbonisation of heat generation, goods and services procurement of lower carbon alternatives, and logistic operations needing to move to renewable fuels. There is likely to remain residual emissions that cannot be reduced or removed and these will need to be offset.

To achieve Net Zero, future business decisions will need to take into account the effect on emissions. As the Group proceeds on its path to Net Zero, operating costs could increase in the short term, but making these

adjustments sooner will mean the Group is in a competitive position for the future and should reduce its long-term costs.

We have established a Net Zero working group reporting to the ESG Committee, to formulate and deliver the Net Zero strategy. This group will comprise relevant individuals from across the business that are responsible for the different emissions areas. External data validation will be collected in order to verify our progress. We will also evaluate whether the Science Based Target initiative (SBTi) can improve the clarity of our emissions targets as we progress.

In recent years our estates team has gained industry recognition for their pioneering work to reduce emissions at our pubs, reduce water consumption and increase recycling. Progress on the Group's environmental agenda is reported to the PLC Exec and is a key pillar within our approach to ESG. We remain responsive to emerging technology to prevent further environmental harm, often at attractive rates of return, and to partnerships which promote and support a better environment and better lives.

Taskforce on Climate-related Financial Disclosures (TCFD) reporting 2022

Next year we will produce our first TCFD report on the impact that the climate could have on our financial reporting. We are already collecting data on flood risk for all our pub sites in order to model how they may be affected in the future. Currently only a small percentage of our sites occasionally flood, the cost of which is covered by our insurance. Climate change could impact the frequency and severity of floods and therefore could increase the cost of insuring our properties. The report will also explain the Group's progress to Net Zero and any practical measures taken to protect our properties.

Other areas of focus this year

- We are in the process of finalising a power supply contract for the business, which will see us move to electricity backed by Renewable Energy Guarantees of Origin (REGO) certificates from April 2022. This will be a key step to our journey to Net Zero.
- Our water self supply licence, 'Marston's Water', allows us to take control of water management and, with increased water meter readings, we can ensure all sites are billed in line with consumption. Currently we estimate that through our careful management and monitoring we are saving over 81,000 pints of water a day.
- We are the UK's first pub company to roll out 50kW rapid chargers across a nationwide estate. We have now committed with Osprey to install a further 100 rapid electric vehicle (EV) chargers in our pub car parks, on top of the 104 installed to date. The chargers are powered by 100% renewable energy and can provide an EV with around 80-100 miles of range in 30 minutes.
- We continued to innovate by trialling new technologies aimed at reducing the energy and lifecycle impact of equipment installed in our pubs. As part of our refurbishment and re-segmentation programme, we are continuing to invest in energy efficient appliances, LED lighting and building control optimisation.
- During the lockdown we reset our building management systems and helped our pub managers to close down equipment and reduce consumption. We then monitored energy and water consumption of the closed sites to identify those with higher than average usage in order to take action to reduce it down further. Additionally, waste collections were stopped where possible and washroom services were suspended.

- We recycle almost all our dry mixed waste and glass. Over three quarters of our food waste is recycled. Our total recycling rate is 78% (2020: 73%) and we continue to send zero waste to landfill.
- We have commenced a programme of placing clothes banks in pub car parks, diverting old clothes from landfill, and we are keen to extend this to more sites next year.

Green Apple Gold Award 2020

The Green Organisation is dedicated to promoting environmental performance and recognises best practice around the world. In 2020 Marston's won the award for sustainability.

We have also been shortlisted this year for the National Recycling Award.

Greenhouse gas emissions

(including Scope 1 and 2 and Scope 3 emissions relating to the supply of drink by CMBC/ business mileage.)

Source	2021	2020
	CO ₂ tonnes	CO ₂ tonnes
Electricity and gas	71,297	79,491
Petrol and diesel	8,866	12,031
Refrigerants	5,039	5,162
LPG	1,873	2,118
Oil	302	160
Total	87,377	98,962



Growing and Strengthening our Resources and Relationships continued

Greenhouse gas emissions intensity ratio

	2021	2020
CO ₂ tonnes per £100k (turnover)	16.97	12.05

Energy usage

	2021 mwhrs	2020 mwhrs
Scope 1 and 2	346,892	441,564
Scope 3	64,947	6,427
Total	411,839	447,991

Notes:

- We report on all the measured emissions sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.
- Data collected is in respect of the year ended 30 June 2021, in accordance with the Streamlined Energy and Carbon Reporting regulation.
- Total gas consumption compared to last year reduced by 3% which reflected the temporary shutdown of our pubs during the Winter. Electricity consumption decreased by 18%, usage for lighting fell during the lockdown. Fuel usage fell by 26% due to the periods of lockdown when deliveries to the pubs were suspended. Fuel usage became a Scope 3 emission from November to June 2021 following the commencement of CMBC.
- To reduce the energy consumed we focus each year on various initiatives. Our catering equipment is sourced to increase efficiencies including fryers that filter oil to increase oil life, and high efficiency charrills. All of Marston's cabinet refrigerators purchased are high-efficiency hydrocarbon units. We install LED lighting in all the internal areas and use integrated movement sensors in our back of house areas, reducing the operational hours of lighting. We also fit voltage optimisation in all of our new-builds and have retro-fitted them into other sites across the estate.
- The Greenhouse gas emissions intensity ratio has been distorted by the pub lockdown, and the reduced turnover of the business. While we have taken steps to reduce energy usage in our pubs during the lockdown, we still had to maintain refrigeration, heating and lighting, particularly in those pubs where the manager lives on site.

Progress against key targets

1. Food waste

We will continue with the training and awareness campaigns for our team members to encourage them to minimise wastage and to segregate waste to maximise recycling, recognising that our performance can always be improved. We are now in a position where all food waste from the pubs can be measured by our waste collector. In future we will be able to monitor reductions in food waste and the effectiveness of our campaigns.

We have also engaged with WRAP to increase our commitment to work with our suppliers to reduce packaging waste associated with food.

Our next action is to increase our understanding of the volume and nature of food waste generated within our business and in our supply chain. This will allow us to set future targets for its reduction and we intend to report our progress on these targets.

2. CO₂ emissions reduction

Our current emissions target is to reduce our carbon emissions relative to the turnover.

The performance this year has been distorted by the pub lockdown. We continue to seek reductions in emissions through the installation of LED lighting into back-of-house areas, timer controls, voltage optimisation and the use of ambient air to cool our cellars rather than air conditioning. Our commitment to Net Zero emissions will in future years necessitate replacing kitchen equipment powered by renewable energy.

In future our target for emissions will be the Net Zero targets explained above. We are currently considering whether to adopt Science Based Targets, recognising that they are becoming the standard approach to provide a clearly defined pathway to reduce emissions, helping to prevent the worst impacts of climate change and to future-proof business growth. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement.

Hat-trick of awards for our Energy team

Marston's has won three awards at the 2020/2021 International Green Apple Environment Awards for our environmental work across the pub estate and more recently our transformation in reduction of waste across the SA Brain's pub estate.

The Company was acknowledged as a Green World Ambassador for Best Environmental Practice and took home a Gold and a Silver from the 2021 awards in the Waste Management category for our work in reducing emissions from waste and overall waste to landfill across 145 SA Brain pubs.

The Green Apple Environment Awards recognise and reward companies globally for the best environmental practice. The award win for the SA Brain sites endorses the efforts of a four-year project which was designed to maximise recycling and zero waste to landfill. The target which was met in 2018 by Marston's, becoming the first pub group to achieve zero waste to landfill.

Chris White, Energy Manager said: "We are so proud of our team for receiving global recognition for the work we have done in reducing waste. We continue to work harder and harder to ensure that as a company, we are as environmentally friendly as possible and it is even more apparent now just how important that work is to help us lead a sustainable future. Our partnership with Novati continues to help us do just that, our mutual commitment to be fully engaged with innovation and technology has allowed us to transform our waste management for the better."

Alongside the award win, Marston's winning paper will be published in The Green Book, the leading international work of reference on environmental best practice.





Growing and Strengthening our Resources and Relationships continued

Engaging with our investors

We want to attract long-term equity and debt investors who believe in and support our strategy.

In a year disrupted by the pandemic, our engagement with investors has been mostly online, maximising the use of video technology, for presentations of our year-end and half-year results. Our Annual Report and website continue to hold detailed information on our business strategy and results, its governance and corporate responsibility. Owing to Government restrictions, we were not able to host an in-person AGM but strongly encouraged shareholders to vote online and submit questions on the resolutions, ahead of the meeting.

For the 2022 AGM, shareholders are able to attend the meeting in person. Whilst we currently anticipate this will be possible, we are committed to following applicable Government guidance, and any restrictions in place, as at the date of the meeting. More information can be found in the 2022 Notice of Meeting (available on our website www.marstonspubs.co.uk/investors).

Further details of how we have engaged with shareholders and the key topics discussed are set out in the Corporate Governance Report on page 50. Here we have summarised our engagement with our debt providers.

Whilst receipt of the initial proceeds of £228 million from Carlsberg, upon the disposal of Marston's Beer Company has reduced overall debt levels and improved headroom in our bank facilities, the continuing impact of COVID-19 on our operations has necessitated seeking further covenant waivers from our bondholders. Our CFO and Director of Treasury and Tax continued to engage regularly with our bank syndicate and bondholders to ensure they understood the ongoing impact of COVID-19, the mitigation measures we applied to preserve our cash resources and the long-term viability of the business. They have welcomed the opportunity to hold direct meetings where bondholders have initiated contact.

Holding regular meetings with our banks and private placement facility holder has helped to ensure that our providers of finance continue to demonstrate their support throughout the period and their understanding of the need to grant waivers and amendments to covenants when requested. This collaborative approach was helped by open and constructive dialogue in a period of great uncertainty and underlines the importance of good, long-term relationships with all our stakeholders.

Areas of focus

- Cash preservation measures.
- Secured waivers and amendments to bank, private placement and securitised facilities for the financial periods up to and including 1 January 2022.
- Using existing bank facility to finance the rent roll for the SA Brain's estate.

Engaging with Government

Government policy decisions impact the Group and, directly and indirectly, all of our stakeholders.

Throughout the year, we continued to rely on Government support through reduced VAT, the business rates holiday and other tax concessions. This support remains essential in retaining the majority of our workforce. As the outlook remains uncertain, we have urged Government to consider the major contribution that pubs make to the economy and the communities in which they serve.

The Group maintained its engagement with Government, primarily through its membership of the BBPA and UK Hospitality but also directly, through Government consultations. Yet again, much of our engagement focused on the impact of COVID-19 and the resulting Government restrictions on our ability to trade but we also continued our work with Public Health England, the Office of Health Improvement and Disparities (OHID) and Drinkaware. We take our responsibilities for the health and wellbeing of our guests very seriously and ensure we prepare well for all new legislation, as it affects our business. Our teams are dedicated to food and drink safety and compliance and, with the help of the Risk & Compliance Committee, we monitor emerging legislation and regulation to assess what preparations are required.

Areas of focus:

- The impact of COVID-19 on our people, our partners and our communities.
- Contributed £99.9 million (2020: £384.6m) in taxes to the Government.
- Consulted on the draft guidelines for calorie labelling which will be compulsory from April 2022.
- In readiness for Natasha's Law, effective October 2021, we reviewed all food offerings across the estate to assess the impact, providing training or different products to ensure compliance.
- Working towards the 2024 salt reduction targets set by the OHID.



Non-Financial Information Statement

The information set out below, together with signposts to other relevant sections of the Annual Report, is intended to assist users in understanding the Group's position and approach to the following key non-financial matters: environment, employees, social matters, respect for human rights, and anti-corruption and anti-bribery matters.

Our values and culture underpin our Business Model and define our ways of working and the behaviours we expect of our people. We aim to provide a safe working environment for all our people and a business that is run in an ethical and responsible manner. The Marston's Way directs and guides our people with the help and support they may need in their working life and links to relevant policies, statements and operational guidance.

The Group's principal risks relating to the five key non-financial matters are pandemic, health and safety, food safety and political and economic risk. The following govern our approach to these non-financial matters and are designed to help our people recognise and manage those risks. Ultimately risk management is about control and the way we manage and mitigate those risks is set out in detail in the Risk Management section.

- Our Anti-bribery and Corruption policy sets out our commitment to conducting our business operations in a fair and ethical manner and our zero tolerance approach to any form of bribery or corruption from our people, suppliers or any third parties. Our 'Speak Up' policy and activities are overseen by the Board and undergo annual review and campaigns to raise awareness amongst our people.
- The health and safety of our people and our guests is of paramount importance to us and, during this year, our health and safety policies and practices were reviewed, updated and briefed to our teams to reflect the latest guidelines and impact of COVID-19 restrictions as and when they changed.
- The development of our online training platform Marston's Campus enabled us to provide timely online training on the new COVID-19 safe measures to all our pub teams prior to pubs reopening.
- We are investing in an enhanced food information system to ensure that our guests are provided with accurate nutritional information to help inform their food choices and support their lifestyle choices.

Marston's code of conduct, The Marston's Way, is shared with all our employees on our intranet and website and includes links to relevant policies, many of which can be viewed publicly, including the following:

- **Anti-bribery and Corruption policy**
- **Data Protection policy**
- **Equality, Diversity and Inclusion policy**
- **Environmental policy**
- **Food Safety policy**
- **Fraud policy**
- **Group Purchasing policy**
- **Health and Safety policy**
- **'Speak Up' policy**

See: www.marstonspubs.co.uk/responsibility

Within the Responsibility section of the website there is more information on the following:

- **Environmental report**
- **Environmental commitments**
- **Food Supplier Charter**
- **Modern Slavery Statement**

See: www.marstonspubs.co.uk/responsibility

A combination of training, compliance testing, internal and external auditing and assurance gathering, contributes to the due diligence of the policies that support our approach to the five key non-financial matters. The Risk & Compliance Committee reviews the principal risks, conducts deeper dives into singular areas of risk and tracks emerging legislation and the potential impact on the business. The Committee considers the internal audit plan and the audit results. Compliance testing is carried out by Internal Audit; the results from which are considered by the Committee. Compliance to legislation and the Company's policies is also tested.

Due diligence activities during the year have included:

- Anti-money laundering controls testing and awareness training
- Pubs Code compliance
- Pub financial audits
- External pub safety and food supplier audits
- External verification of energy emissions
- Review of our 'Speak Up' policy and reports by the Audit Committee.

Information for our people is available from the following sources:

- **People Strategy**
Summarised on page 34.
- **Food information system**
Food ingredient information collected from our suppliers used to formulate our dishes, identify allergens and communicate food constituents to our guests.
- **The Pubs Code**
The Pubs Code regulates the relationship between pub companies owning 500 or more tied pubs in England and Wales and their tenants. Information is available from the Pub Code Adjudicator at www.gov.uk/government/organisations/pubs-code-adjudicator
- **Corporate hospitality**
Rules to be followed by all employees governing the acceptance of gifts or hospitality, the approval process and reporting.
- **Competition law**
Outlines Marston's overarching commitment and practices to comply with the relevant legislation on competition law matters.

Non-financial information

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Section 172 (1) Statement

The long-term success of the Company is inextricably linked to the strength of our relationships with our key stakeholders. Their interests shape our performance and influence the way we make decisions. Long-term value creation is about more than financial results alone and those key stakeholders help create and share in the value generated. The Company's stakeholders are set out in Our Business Model, on page 9, with further details of how we have engaged with each throughout the period, in our Resources and Relationships section of the report, on pages 32 to 43.

During the period ended 2 October 2021, the Directors consider that they have acted in a way that promotes the long-term success of the Company for the benefit of its members as a whole and have had regard to the various factors set out in section 172(1) (a) to (f) of the Companies Act 2006. The information found here and within the Resources and Relationships section forms our Section 172 (1) statement.

The Board recognise the value of engaging with stakeholders to understand their views and interests so that they may be properly considered in the Boards' decision making. They do this through various methods including direct engagement, regular briefings from the Executive Directors, the PLC Exec and other senior

managers and Board papers covering relevant stakeholder interests when considering proposed courses of action. When visiting our pubs, the Directors spend time with our pub teams and with senior managers who attend Board meetings from time to time. Additionally, the Board receives feedback from employee surveys and regular briefings from the CEO and Group HR Director. Engagement with suppliers, customers and other stakeholders takes place at an operational level through the relevant senior manager with the Board receiving updates via the Executive Directors.

The interests of employees, investors and other stakeholders are taken into account by the Board in all decision making but particularly so when considering matters of strategic significance. When making such decisions, the Board considers carefully how it would promote the success of the Company, its long-term impact (financial and non-financial) and has due regard to the other matters set out in section 172 (1). During the period, the impact of the pandemic continued to dominate the Board's attention; other significant decisions made during the period related to the approach by Platinum Equity Advisors, the transaction to operate the estate of SA Brain and the appointment of a new CEO and a new CFO. Further details relating to the appointment of both Executive Directors can be found in the Nomination Committee Report, on page 54.

Operation of the SA Brain estate

In December 2020, the Company announced that it had reached agreement with SA Brain to operate its pub estate in Wales following collaborative discussions with the Company. Whilst the Board were sure of the benefits to its own shareholders, the talks also focused on preserving the freehold capital for the stakeholders of SA Brain, protecting the strong heritage, brand name and safeguarding the jobs of c.1,300 people in the pubs.

The Directors considered the proposals as being of benefit to those employed by SA Brain and beneficial to the communities in which the pubs operate. To preserve the provenance of the Welsh pubs, the commercial (marketing) manager has been retained along with an agreement to use the SA Brain's brand for the duration of the lease.

Further, the Board were confident that the deal was consistent with its long-term strategy as a focused pub operator to grow the business without impacting on its financial strategy to reduce borrowings; the agreement received the unanimous support of its lenders.

COVID-19

For more than half the year, the Board has continued to monitor and consider the ongoing impact of the pandemic on the business. Most notably on our people but also the financial stability of the business and its sustainability. Acknowledging the financial support provided by Government, the Board have received regular updates from management on the continuing focus of engaging with our people. Mindful that the financial support was finite, the Board have considered in detail the impact on the business from restricted trading, the gradual opening up of the sector and the challenges that differing rules and restrictions enforced by the respective devolved administrations have brought to our operations. Plans and forecasts have been regularly updated throughout the period to incorporate changes to closures, gradual reopening and the level of Government support; the aim being to strike the right balance between cash preservation and timely investment ahead of reopening. Throughout the year, careful cash management and working with its partners, has enabled the Group to meet all its scheduled payments to banks and bondholders, its suppliers and people.

The Board are aware that whilst the threat and impact arising from COVID-19 remains, and with its future uncertainty, they consider that their actions and decisions to date have been made in the interests of all relevant stakeholders in preserving the business for the benefit of its members as a whole.

Approach by Platinum Equity Advisors

In December 2020, the Board received an unsolicited non-binding approach from Platinum Equity. Their letter set out an indicative cash offer to acquire 100% of the Company. The Board met to consider this approach and, with assistance from their financial advisers, reviewed the indicative value attributed to the Company. On the basis that the final indicated proposal represented a discount to the share price at the start of 2020, pre-COVID, and since that time the Company had realised significant value from the creation of a partnership with Carlsberg, announced the agreement to operate the SA Brain estate, and embarked on its newly focused pub strategy, the Board did not consider pursuing this approach to be in the best interests of shareholders and therefore rejected the proposal.



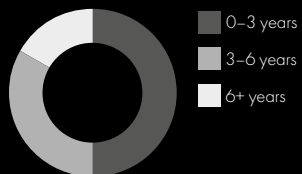
Governance

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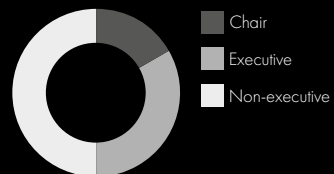
Female representation on the Board

50%

Tenure of Chair and Non-executive Directors



Balance between Executive and Non-executive Directors





Chair's Introduction



Dear Shareholder,

I am pleased to present our Governance Report to you, together with the reports that follow from the Nomination, Audit and Remuneration Committees. Each provide an overview of the key activities during the period, including the impact of the ongoing COVID-19 pandemic and the changes to the Executive leadership of our business.

Whilst the challenges and impact of the COVID-19 pandemic on our business have continued through the reporting year, I have been delighted to see that the special and unique culture at Marston's remains resilient and is thriving as we return to more normalised trading. Our people are passionate and committed to their role in making our business a success. The Board

recognise and seek to demonstrate the same values and behaviours that we see first-hand throughout Marston's, in our discussions and in every decision that we make, for the benefit of our business and our stakeholders.

Our vision, goals and priorities are clear, and our governance framework supports the pursuit of these. With the appointments of Andrew Andrea as CEO, Hayleigh Lupino as CFO and the further development of our PLC Executive and Leadership Group, during the year, we have confidence in the future.

The 2018 UK Corporate Governance Code (the '2018 Code') has applied throughout the reporting period under review and the Board considers that we have fully complied with the principles and provisions of the Code. Further explanation of this is set out on the following pages.

Board effectiveness and succession

We announced during the year that Ralph Findlay, our long serving CEO, would retire from the Board at the end of the reporting year and, subsequently, that Andrew Andrea had been appointed CEO. Hayleigh Lupino was appointed as CFO; both appointments were effective from 3 October 2021. Succession planning remains an important part of the governance cycle and I am pleased that both appointments were internal candidates. We continue to monitor the composition of our Board being mindful of the benefits that an external perspective can bring. The Board has commenced a search for an additional Non-executive Director; further details can be found within the Nomination Committee report on page 54.

Carolyn Bradley stepped down from the Board on 31 July 2021, after seven years, and I thank Carolyn for her insight and contribution to Marston's during her tenure. Octavia Morley assumed the role of Senior Independent Director following Carolyn's departure.

This year we carried out an internal Board evaluation of the effectiveness of the Board and its Committees. More details and the summary of our findings, as well as progress on the actions from the 2020 evaluation, are set out on page 55.

Profiles of each Director can be found on pages 48 and 49.

Remuneration

Our remuneration principles remain unchanged. We aim to provide remuneration that motivates our people without encouraging excessive risk taking, with incentives aligned to strategy that encourage enhanced and sustainable performance. During the reporting year, the Committee has considered remuneration and reward across the organisation, particularly in the context of the ongoing impact of COVID-19, how to motivate and reward in challenging circumstances and considered and approved the remuneration packages for the incoming CEO and CFO. Details of how the Directors' Remuneration Policy has been applied during the year, are set out in the Directors' Remuneration Report on pages 59 to 72.

Audit

The principal responsibility of the Audit Committee continues to be the integrity of our financial reporting and internal controls. The report from the Audit Committee is on pages 57 to 58.

The following pages provide an overview of our key governance activities, how we comply with the 2018 Code and reports from each of the Nomination, Audit and Remuneration Committees.

William Rucker
Chair

UK Corporate Governance Code compliance statement

The July 2018 UK Corporate Governance Code applied to the 2020/21 reporting period. The 2018 Code is available on the Financial Reporting Council's website: www.frc.org.uk

Marston's PLC was compliant with the principles and provisions of the 2018 Code throughout the reporting period under review.

Our Governance Report explains how we have applied the main principles and, where applicable, provisions of the 2018 Code, through our governance framework, supporting procedures and the work of the Board, its Committees and management. In order to provide a more accessible report, and to avoid repetition, more information can be found on our website www.marstonspubs.co.uk

1. Board Leadership and Company Purpose (page 50)

How we engage with our people and our shareholders and what has been on the Board's agenda this year.

2. Division of Responsibilities (page 52)

Our governance framework and management structure. Further details of responsibilities can be found on our website www.marstonspubs.co.uk.

3. Composition, Succession and Evaluation (page 53)

Our approach to succession planning, training and induction, this year's Board evaluation and our approach to diversity.

4. Audit, Risk and Internal Control (page 56)

Internal processes and our Audit Committee Report.

5. Remuneration (page 59)

The application of our current Directors' Remuneration Policy and payments made to Directors during the period.



Board of Directors

Chair

N*

William Rucker

Chair

Independent

Yes, on appointment

Appointed to the Board

October 2018

William is a Chartered Accountant with experience in banking and financial services. He is Chairman of Lazard in the UK and brings a wealth of knowledge and experience of financial markets, corporate finance and strategy to his leadership of the Board. William is also currently Chairman of the UK Dementia Research Institute. William's City and financial experience, alongside his strong stakeholder management skills, ability to help businesses grow and his previous Chairman roles, make him ideally placed to be Chair of Marston's.

Past experience

Chairman of Crest Nicholson Holdings plc

Chairman of Quintain Estates and Developments

Non-executive Director of Rentokil Initial plc



Executive Directors

N

Andrew Andrea

Chief Executive Officer (CEO)

Independent

No

Appointed to the Board

March 2009

Andrew was appointed CEO from 3 October 2021, having previously been Chief Financial and Corporate Development Officer since 2016. Andrew joined the Company in 2002 as Divisional Finance Director for Marston's Beer Company and in 2006 he became Operations Director for Marston's Pub Company. Andrew was then appointed to the Board as Finance Director in March 2009. He is also currently a Non-executive Director at Portmeirion Group PLC and a Non-Executive Director of CMBC. Andrew is a qualified Chartered Accountant and brings to the Board experience gained in financial and commercial roles, including strategy and leadership, risk management and mergers and acquisitions.

Past experience

Roles held at Guinness Brewing Worldwide, Bass Brewers Limited and Dolland & Aitchison



Hayleigh Lupino

Chief Financial Officer (CFO)

Independent

No

Appointed to the Board

October 2021

Hayleigh was appointed CFO of the Group from 3 October 2021, having previously been Director of Group Finance and held a number of senior roles for Marston's Beer Company. Most recently, she played a key role in creating the partnership between Marston's Beer Company and Carlsberg UK. She is currently a Non-Executive Director of CMBC and is the project lead for Marston's on the Transitional Services Agreement, to ensure a smooth transition with the integration plans. Hayleigh is also a Trustee Board Director at the Wolverhampton Grand Theatre.

Past experience

Senior roles held within Marston's PLC



Senior Independent Director

A N R*

Octavia Morley

Non-executive Director

Independent

Yes

Appointed to the Board

January 2020

Octavia is currently Senior Independent Director at Card Factory PLC and at Crest Nicholson Holdings PLC and Non-executive Director at Ascensos Ltd. She has extensive experience in both executive and non-executive roles in retail and multisite companies, having held various senior operational and strategic roles across areas of retail.

Past experience

Executive and Non-executive Chair of Spicers-Office Team Group Ltd

Non-executive Director of John Menzies PLC

Chief Executive Officer, then Chair, at LighterLife UK Limited

Managing Director at Crew Clothing Co Ltd

Chief Executive at OKA Direct Limited

**Board Committees:**

A

Audit Committee

R

Remuneration Committee

N

Nomination Committee

*

Denotes Committee Chair



Board of Directors continued

Non-executive Directors

A* N R

Matthew Roberts Non-executive Director

Independent

Yes

Appointed to the Board

March 2017

Matthew has significant real estate and retail experience having previously been CFO and then CEO of Intu Properties plc, until June 2020. Matthew is a qualified Chartered Accountant (FCA) and has recent and relevant financial experience, enabling him to contribute effectively to the Group as the Chair of the Audit Committee.

Past experience

Chief Executive Officer and Chief Financial Officer of Intu Properties plc

Chief Financial Officer of Gala Coral Group Limited

Finance Director of Debenhams plc

A N R

Bridget Lea Non-executive Director

Independent

Yes

Appointed to the Board

September 2019

Bridget is currently Managing Director – Commercial at BT Group having previously held the role of Managing Director (North) at J Sainsbury plc. Bridget has had a distinguished career working across multiple leading retail brands and held senior positions, spanning a wide range of disciplines including sales, operations, marketing, supply chain and digital within retail corporates.

Past experience

Managing Director (North) at J Sainsbury plc

Director of Stores, Online and Omnichannel at O2

Group Secretary

Anne-Marie Brennan Group Secretary

Appointed as Secretary

October 2004

Anne-Marie joined the Company in 1998 as Group Tax Manager. A qualified Chartered Accountant and Chartered Secretary, she was appointed Secretary in 2004.

Nomination Committee membership

William Rucker (Chair)

Octavia Morley

Matthew Roberts

Bridget Lea

Ralph Findlay (until 2 October)

Andrew Andrea (from 3 October)

Audit Committee membership

Matthew Roberts (Chair)

Octavia Morley

Bridget Lea

Remuneration Committee membership

Octavia Morley (Chair)

Carolyn Bradley (until 31 July 2021)

Bridget Lea

Matthew Roberts (from 20 October 2020)

Terms of reference, for each Committee, are available in the Corporate section of our website

www.marstonpubs.co.uk

**Board Committees:**

Audit Committee



Remuneration Committee



Nomination Committee



Denotes Committee Chair

Board departures announced during the year

- Ralph Findlay stepped down from the Board and retired from the Group as CEO, on 2 October 2021, having served on the Board for more than 20 years.
- Carolyn Bradley also stepped down as Non-executive Director and Senior Independent Director on 31 July 2021.



Corporate Governance Report

1. Board Leadership and Company Purpose

Purpose, values and culture

The Board provides guidance and constructive debate in establishing the strategic direction of the Group and overseeing management's implementation of that strategy. The Board recognises the unique and special culture at Marston's and is satisfied that it reflects and, in turn, is reflected by our purpose, our values and our behaviours; all of which are aligned to our strategy which has been developed to represent the pub focused business. The Board monitors the culture and values of the business in a variety of ways:

- Meeting and talking with teams from across the business
- Reviewing the results of employee surveys, specifically checking the responses to behaviour-led questions
- Ensuring our policies and practices, particularly relating to pay and fair working practices, are consistent with our values
- Reviewing whistleblowing mechanisms and reports to ensure they are appropriate, accessible and meet our expected standards of conduct

The Board supports and encourages good relationships with all our stakeholders, recognising the importance of the contribution to and impact on the communities in which we operate and the partners with which we work. In seeking to understand the views of all our stakeholders, the Board engages directly with some, including investors and employees, and indirectly with others by way of sector bodies, reports and presentations by senior management and advisers. The CEO and CFO provide regular feedback and ensure the Board is kept up to date on stakeholder views.

In considering all opportunities and risks that the Group faces, the Board focuses its attention on the long-term sustainable success of the business which ultimately generates value for our shareholders. All proposals

and business decisions are made for the benefit of the Group's long-term sustainability, ensuring they are aligned to our strategy, purpose and values. The interests of relevant stakeholders are considered as part of that process and the Board recognises that sometimes there is a trade-off between different stakeholders, but at all times the Board considers it has acted fairly and transparently in evaluating a decision.

Engagement with employees

We recognise the importance of engaging with our employees and our people strategy aims to inform, inspire, engage and enable our people, so that we remain focused on supporting our pubs and our teams to deliver great experiences to our guests. We use a variety of media through our core channels which include print, digital, social and email and, during the year, launched Yammer which enables all of our people to be connected, sharing ideas and successes, in a way that was not possible previously. During the continued lockdown periods, the Board were updated on arrangements for employees, made aware of the programme of communication and the focus on employees' wellbeing and ensuring all were kept informed as far as possible.

Following the launch of the 'Your Voice' surveys last year, the programme of more frequent and shorter punchier surveys has continued. Local management and team leaders have more immediate access to survey results, enabling them to act quickly on the outcomes. The wider output from these surveys is discussed at Board meetings during the year, with presentations from our HR team. More details of the programme can be found on page 34.

Following Carolyn Bradley's departure from the Board in July and Octavia Morley assuming the role of SID, Bridget Lea has taken on the role of designated Non-executive Director for engagement with our workforce.

Unfortunately, as a result of ongoing COVID-19 restrictions, the employee engagement sessions that were planned for 2021 were not able to recommence. Instead, our teams focused on the reopening of our pubs and the implementation of our strategy. Plans to resume the programme are in progress, with sessions planned in 2021/22, ensuring that all areas of the business are represented, and geographies covered.

Engagement with shareholders

Engagement with our shareholders is essential to ensure that Marston's attracts and retains long-term investors who support our strategy. Meetings and communications focus on providing updates on progress against strategy, clarifying understanding of the business and an opportunity to listen to feedback. The CEO and CFO host meetings with our major shareholders and private client fund managers to present the half-year and year-end results. Following these meetings, the Board receives formal feedback from analysts and institutional shareholders provided by the Group's brokers and financial PR advisers. The views and any concerns are considered by the Board and, in particular, whether any action or response is appropriate. The Chair and SID make themselves available for meetings with the Group's major institutional investors each year. Regular announcements on business and financial performance are issued to the stock market and made available on the Group's website.

The investor relations programme is managed by the Executive Directors in conjunction with our advisers and focuses on engagement with institutional shareholders, fund managers, analysts and private client fund managers. All meetings this year have been either by telephone or video call. These calls have covered the interim and preliminary results, the partnership with Carlsberg, COVID-19 and the approach from Platinum Equity Advisors. During this year, investor focus has been on liquidity and financial viability and the CEO and CFO have worked hard to reassure investors by setting out the impact of restrictions and closure, the financing position and Government regulations.

On behalf of the Board, the Group Secretary oversees communication with private individual shareholders. The key source of communication is through the corporate section of the Marston's website which provides a wealth of general information on the business, as well as details of our responsible approach to business. The shareholder section provides share price information, financial calendars, results presentations and regulatory announcements. The Annual Report and Accounts is the main tool for providing a comprehensive review of the business, details of our governance framework in action and annual results.

Subject to any COVID-19 restrictions in place, we are planning for the 2022 AGM to be held at the Farmhouse at Mackworth in Derby, one of our own pub sites. Shareholders will be invited to attend in person if they wish, subject to restrictions, which will continue to be monitored ahead of the meeting. Shareholders will again be given the opportunity to ask questions ahead of the meeting, using a dedicated email address (agm@marstons.co.uk) if they are unable to attend in person. We will ensure that each question receives a direct response, with those questions pertinent to the business of the meeting published on our website.

To enable all shareholders to vote on all resolutions in proportion to their shareholding, the voting at the 2022 AGM will be conducted by way of a poll and shareholders are encouraged to vote as early as possible ahead of the meeting. The Company releases the results of voting, including proxy votes on each resolution, on its website on the next business day and announces them through a regulatory news service. Details of how you can submit questions and cast your votes at the AGM are set out in the Notice of Meeting, which will be made available to shareholders by their chosen method of communication and is also available on the website. The Board looks forward to meeting shareholders once again.



Corporate Governance Report continued

Shareholder engagement summary

Key communication channels

Institutional shareholders and analysts

- Rolling investor relations programme
- Bi-annual written feedback received
- Chair and SID available to meet with largest shareholders

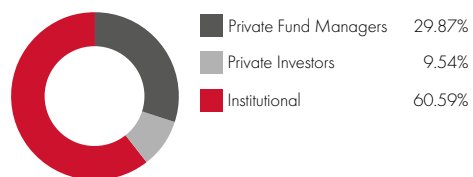
Private client fund managers

- Regular meetings with CEO and CFO

Private shareholders

- AGM
- Annual Report and Accounts
- Website

Analysis of shareholder register by investor type



Board agenda and activities during the year

The Board agenda provides the framework for the Board to shape and monitor the Group's progress towards its vision and goals. Regular agenda items include a number of regular reports updating the Board on financial and operational performance, people matters and shareholder analysis. The remainder of the agenda comprises specific items for discussion or debate, in accordance with the forward agenda or as required in response to circumstances or events. Further detail is set out in the far right hand column. Certain meetings on the annual calendar focus on matters of a more transactional nature, allowing more time for wider debate and consideration of more complex matters during other Board meetings. This year, the Board continued to meet regularly, supporting the business during the ongoing COVID-19 pandemic and the journey to reopening, with the focus moving on implementation against the new strategic objectives as a pub focused operator. The majority of meetings during the year have been held online, with a number of face-to-face meetings held since restrictions were lifted in June. Going forward, a mixture of online, hybrid and face-to-face meetings will be adopted. This will be determined by the agenda and focus of a particular meeting, the timings of senior management presentations and workforce engagement sessions. The Board value the presentations from PLC Exec members, the Leadership Group and other senior managers around the business, and these will continue.

2021 strategy day

The Board held its annual strategy day in Birmingham, slightly later than in the normal Board cycle, to ensure the sessions were held once the new Executive Directors were in role. They were joined by the PLC Executive Committee (PLC Exec) and members of the Leadership Group, to consider the proposed journey to achieve the corporate goals to be 'Better than the rest' and 'Back to a billion'. The key themes of the day covered:

- Developing and delivering the guest journey, enabling teams to deliver a great guest experience to be 'Better than the rest'.
- Developing the existing pub estate and evolving our partner agreements.
- Becoming a great place to work, recruiting, retaining and developing people.
- Financial considerations: five year financial plan to get 'Back to a billion'.

Presentations were received from the pub Operations Directors, the Group HR Director, and members of their teams, together with the CEO and CFO, which informed open discussions and debate with the Board.

On the Board agenda

Strategy and performance

- COVID-19 impact and reopening of pubs
- Bank facility financing and securitisation waivers
- Operation of SA Brain's estate
- Results, trading updates and Annual Report and Accounts
- Guest-focused strategy, vision and goals

Guest focus and business operations

- Health and safety and COVID-19 safeguards
- Operating plans for 2021 and 2022
- Guest journey and simplification of offer

Shareholder focus

- Share price performance and investor relations
- Shareholder feedback
- Year-end engagement and AGM
- Share register analysis
- Approach from Platinum Equity Advisors

Governance and risk

- Risk and risk management
- Evaluation of Board and Committee effectiveness
- Governance Code, Pubs Code and other reporting obligations
- Environmental, social and governance updates
- Delegated authorities and potential conflicts of interest

Leadership and people development

- People strategy
- Employee engagement forum and surveys
- Executive succession planning



Corporate Governance Report continued

2. Division of Responsibilities

There is a clear division of responsibility between the roles of the Chair and the Chief Executive Officer (shown below). These are agreed by the Board. Further details of the roles and responsibilities of each Board member and the Group Secretary are set out on our website www.marstonspubs.co.uk.

Chair

is responsible for:

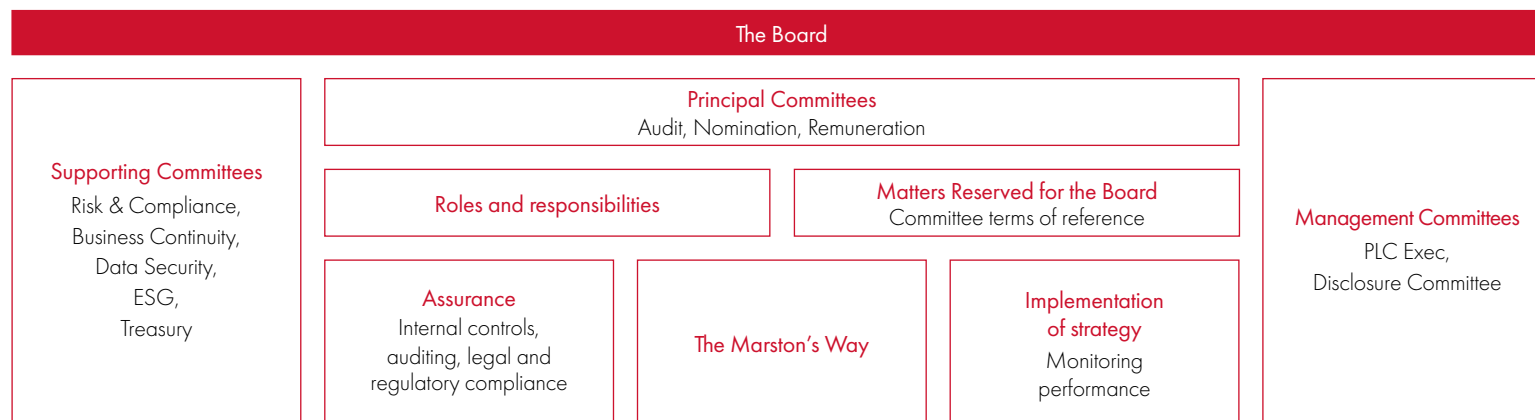
- leading the Board and its effectiveness in directing the Group.
- setting an agenda, style and tone for constructive and open debate.
- the effective contribution of all Non-executive Directors.
- supporting the CEO in articulating the purpose, values and culture.

Chief Executive Officer (CEO)

is responsible for:

- setting and implementing the strategic objectives agreed by the Board.
- providing clear and visible leadership, demonstrating the values and ways of working that reflect the Group's culture.
- leading the PLC Exec and senior management in managing the business.
- ensuring the Board is aware of shareholder and other stakeholder views.

Governance framework



The governance framework provides a structure of effective management and controls to measure and assess performance and risk and it facilitates the sharing of information by encouraging strategic debate and informed and timely decision-making. Board papers are circulated well in advance of each meeting to ensure that the Directors have sufficient time to consider them before the meeting.

The three principal Committees of the Board deal with financial and risk matters, remuneration and succession planning. Each has its own terms of reference which are reviewed at least annually, and updated as necessary, by the Committee before they are considered and approved by the Board. Reports from each Committee can be found on pages 54, 57 and 59.

The Board is supported by the PLC Executive Committee (PLC Exec) which comprises key members of the Marston's management team: the CEO, CFO, two pub Operations Directors, Commercial Marketing Director, Group HR Director and Group Secretary. The PLC

Exec meets regularly to oversee the implementation of strategy and monitor performance of the business. This year, in addition to reviewing operational performance, controls and people matters, the PLC Exec considered and responded to COVID-19 guidance, the furlough scheme, the closure of pubs and their reopening following the third national lockdown and the integration and operation of the SA Brain's estate. The PLC Exec also considers property proposals, capital investment and new initiatives; approves internal policies, governance and financial matters within the authority limits delegated annually by the Board.

The Disclosure Committee, comprising the CEO, CFO and Group Secretary, meets as and when required to discuss matters arising in accordance with the EU Market Abuse Regulation, the Financial Conduct Authority (FCA) Listing Rules and the Disclosure Guidance and Transparency Rules to ensure Marston's PLC meets its obligations.

The Supporting Committees' primary role is to provide assurance to the Board on the operation of internal controls, auditing and compliance with legal and other regulatory obligations. This framework is supported and enabled by the risk management process, our behaviours and The Marston's Way. The work of our supporting committees is described in the Risk Management section on page 30.

Documents available at: www.marstonspubs.co.uk

- Articles of Association
- Matters Reserved for the Board
- Committee Terms of Reference
- Roles and responsibilities for each Board member



Corporate Governance Report continued

Board and Committee meeting attendance

Board and Committee meeting attendance is shown in the table below. The Board calendar of meetings is set and reviewed at least 18 months in advance, allowing the Directors to plan their time accordingly.

Name	Board	Nomination	Audit	Remuneration
Andrew Andrea	14/14	–	–	–
Carolyn Bradley ¹	13/13	3/3	4/4	5/5
Ralph Findlay ²	14/14	2/2	–	–
Bridget Lea	14/14	4/4	4/4	5/6
Octavia Morley	14/14	4/4	4/4	6/6
Matthew Roberts	14/14	4/4	4/4	6/6
William Rucker	14/14	4/4	–	–

1. Carolyn Bradley stepped down from the Board on 31 July 2021.

2. Ralph Findlay stepped down from the Board on 2 October 2021.

3. Hayleigh Lupino was appointed to the Board with effect from 3 October 2021.

3. Composition, Succession and Evaluation

Comprising independent Non-executive Directors (NEDs), an independent (upon appointment) Chair and two Executive Directors, all supported by the Group Secretary, the Board continues to represent a balanced combination of skills, experience and knowledge pertinent to the industry and business activities. Biographical details, together with length of service and external appointments are disclosed on pages 48 and 49.

All of our Directors are expected to allocate sufficient time to the Group to discharge their duties and responsibilities effectively and this is reviewed with the Chair, as part of the annual evaluation process. Significant commitments of the Directors, outside of Marston's, are disclosed to and approved by the Chair prior to appointment and where there are any changes. The Company's Articles of Association provide authority to the Board, to authorise potential conflicts of interest and to impose any conditions it sees fit. Actual and potential conflicts are reviewed by the Board on an annual basis.

All Directors are subject to annual re-election by our shareholders after an annual Board evaluation. Each of our NEDs are initially appointed for a three year term; beyond six years, the appointment is considered on an annual basis having regard to the tenure of the Board as a whole. Where the Board considers it would benefit from a change, or a retirement necessitates a change, the Nomination Committee will lead the process for new appointments. As previously announced in March 2021, Ralph Findlay stepped down from the Board on 2 October 2021, having served on the Board since May 1996. Following an extensive process involving internal and external candidates, the Board appointed Andrew Andrea to the position of CEO. The resulting vacancy for the role of CFO also followed a similarly extensive process culminating in the appointment of Hayleigh Lupino; both have been in position since the start of the new financial year on 3 October 2021.

Having served on the Board since October 2014, Carolyn Bradley stepped down from the Board on 31 July 2021. Following Carolyn's departure, Octavia Morley has assumed the role of Senior Independent Director. We consider all our NEDs to be independent and the charts on page 46 show the balance and tenure of the Board.

Board training and development

Following the third lockdown when restrictions were eased, the NEDs spent two days in trade with members of the PLC Exec and senior management team to better understand the current operational challenges, post lockdown, and met with teams from the business. The presentations given at Board meetings are also designed to update the knowledge of NEDs and their familiarity with the business as well as providing an opportunity to spend time with those teams more informally. The NEDs are also able to attend external technical seminars offered by professional advisers and receive internal briefings on emerging legislation, compliance and regulatory matters as it relates to the business. The Group Secretary advises the Board on matters of governance and is available to all Directors in an advisory capacity, including the appropriateness of seeking independent professional advice.

The Group's induction programme is tailored to each new Director, depending on their experience and nature of their role on the Board. Ahead of her appointment, Hayleigh met with our advisers, finance providers, analysts and brokers as part of her induction.



Corporate Governance Report continued

Nomination Committee Report



Our responsibilities

- To monitor the composition of the Board and its Committees to ensure the right balance of skills, experience and knowledge.
- To consider the succession plans for Directors and senior management, taking into account the leadership, skills, expertise and diversity needed to meet the challenges and opportunities facing the Company.
- To ensure the process for identifying and recommending suitable candidates for Executive and Non-executive Director positions delivers the desired outcomes.

Attendees

Executive Directors, senior management and external advisers may be invited to attend from time to time.

Key activities during the reporting year

- The recruitment of a new CEO and a new CFO.
- Considering this year's board evaluation process.
- Assessing the make up of the Board and succession planning.
- Reviewing the terms of reference and effectiveness of this Committee.
- Reviewing the contribution and commitment of each Director standing for election and re-election at the 2022 AGM.

Dear Shareholder,

This year has seen many changes for the Company and its senior management team as it adjusts to operating as a purely pub focused business. I am pleased to present an update here.

Succession Planning

As announced in March, Ralph Findlay stepped down from the Board and the Company at the end of this financial year having been at the helm for 20 years. In undertaking the search for a new CEO, we were mindful of the immense challenge in replacing him and enlisted the help of Russell Reynolds in identifying and assessing suitable candidates for the role. I was delighted that the outcome of this thorough and formal process was to promote Andrew Andrea to the position, with effect from the start of the new financial year on 3 October 2021. As a consequence of this appointment, we then needed to recruit a new CFO. Having invested time in understanding the needs and culture of the business for the CEO role, the Board considered that it would be most efficient to retain Russell Reynolds to assist with the recruitment of a new CFO. I was also delighted to announce that Hayleigh Lupino was appointed to the role having previously been Director of Finance within the Company. She is also appointed to the PLC Exec along with Mags Dixon, who joined the Company at the end of September as the new Commercial Marketing Director.

Board diversity

We are a diverse Company committed to building an inclusive culture where our people (and our guests) feel welcome and included for who they are. The Board take their responsibility in leading this commitment seriously and apply the same approach to Board members as the Company does with its employees. Further details are set out on the following page and in our policy, which can be found on our website www.marstonpubs.co.uk. Recognising the value and richness of diverse experience and backgrounds to the Company, the Committee

continues to appoint on merit and ensures that its recruitment processes incorporate the widest range of suitable candidates from diverse backgrounds. As at the date of this report, three of Marston's six Board directors are female, and four of the seven members of the PLC Exec are female.

Evaluation and election

Having undertaken an externally facilitated evaluation last year, this year we conducted an internal assessment of the Board and its Committees using a combination of a questionnaire and individual conversations with each Director. The NEDs met to consider my effectiveness as the Chair of the Board and, in my individual conversations with each Director, we discussed their contribution and any development needs. Details of the conclusions together with an update on the 2020 recommendations are set out on the following page. I am satisfied that the Board has a good balance of experience, skillset and fresh thinking to help steer the Company as a newly focused pub operator but, mindful of the benefits that an external viewpoint can bring, the Board has commenced a search for a Non-executive who could provide further insight and a broader perspective on consumers in the wider leisure sector.

I have concluded that each Director standing for election or re-election at the forthcoming AGM is effective in their role and provides a valuable contribution to the Board. I therefore recommend each Director to you.

William Rucker

Chair of the Nomination Committee

Diversity and Inclusion

At the heart of everything Marston's stands for is our people and, as a business, we want to celebrate, include and work with individuals of all walks, traits and backgrounds. We aim to ensure this commitment is reflected through three areas of focus:

- How we attract, nurture and develop our people
- How we ensure our guests have the best experience possible
- Supplier diversity to ensure inclusive procurement and an inclusive work environment.

Our vision is to be an employer of choice, with a rich and diverse mix of people who reflect the societies and communities within which we work and serve. Our policy applies to our Board members, all of our employees, our guests and our supply networks and reinforces our commitment to equality, diversity and inclusion and to having a truly representative workforce where every member of our team, every guest and every supplier feels respected, valued and able to be their best.

Marston's is a great place to work and we will continue to build on that by not tolerating or condoning any kind of inequality or unlawful discrimination. When issues do arise, we will treat them sensitively and fairly. Furthermore, we are committed to promoting a more inclusive environment to attract and promote greater diversity of talent and partnerships.

During this last year we have updated our policy and set out our commitments. We have also been working on further raising awareness of our confidential Speak Up processes which are designed to promote honesty and integrity by encouraging employees to raise any concerns about potential wrongdoing in the business, where they do not feel able to raise the matter with their line manager.

Our next steps are to set out our action plans for supporting and embedding diversity and inclusion within the business. The intention was to have started this during the last year but the impact of the pandemic, the closure



Corporate Governance Report continued

Nomination Committee Report

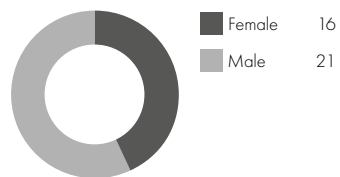
of all our pubs and the majority of our people furloughed, meant that this was not possible. With the business now fully open again, we have restarted work on actioning the commitments that will make a real difference.

A copy of the policy can be found on our website, www.marstonspubs.co.uk

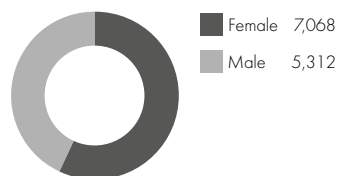
Gender diversity reporting

Number of employees at 2 October 2021

Senior managers (PLC Exec and Leadership Group)



Total employees



Election and re-elections

With the exception of Carolyn Bradley, who stepped down from the Board at the end of July, and Hayleigh Lupino, who was appointed to the Board for the first time with effect from 3 October 2021, all Directors will offer themselves for re-election at the forthcoming AGM on 25 January 2022. Details of each Director (serving on the Board at the date of this report) are set out on pages 48 to 49 and shall be set out to shareholders in the Notice of Meeting. The Board is of the opinion, as recommended by the Nomination Committee, that each Director standing for election or re-election makes an effective and valuable contribution to the Company towards its long-term sustainable success.

Evaluation

Led by the Chair, an internal evaluation of the effectiveness of the Board and its Committees was undertaken this year. The responses to a questionnaire were considered by the Chair and formed the basis for one-to-one conversations; the NED also met without the Chair being present to consider his performance and effectiveness with the conclusions being fed back through the Senior Independent Director. The Chair then summarised the comments and discussions for consideration by the Board. Agreed actions, together with an update on progress since last year are shown below.

The Chair concluded that the Board is satisfied with its effectiveness and that of its Committees. The NEDs continue to value the NED-only catch ups with the Chair and have welcomed the resumption of meeting with senior management and teams when they meet in person.

2021 recommendations

- More regular follow-ups on strategic topics
- Greater insight into the guest focus from the newly restructured commercial team
- A return to face-to-face meetings, re-instating pre-Board dinners and increasing the time with the teams
- A focus on more detailed KPIs including ESG measures
- Broadening the composition of the Board to support the new CEO and CFO

Our 2020 recommendations

- A reorganisation of the Board agenda to facilitate a number of online meetings covering the more transactional matters.
- A review of how Strategy Day discussions are integrated with other key planning areas and revisited throughout the year.

- Succession and people – development of leadership programmes for our senior management; and setting out our plans to ensure our new Equality, Diversity and Inclusion policy creates the inclusive culture to which we are committed.
- Greater focus on monitoring culture in our pub teams.
- A review of remuneration policy to align it with the new strategy.
- Appoint all NEDs to serve on all the Committees.

Update on 2020

- Two online meetings will specifically address governance matters
- The Board have considered the re-positioned strategy along with the Group's vision, purpose and values on a number of occasions and have also seen this strategic focus articulated throughout the guest journey plans, our people strategy and engagement plans.
- A Leadership Group has been formed, comprising the direct reports of the PLC Exec, and every individual has been involved, through cross-functional sessions, in discussing the role of leadership behaviour in raising performance and the development of our new behavioural framework.
- Our engagement surveys resumed part way through the year with the launch of our new dynamic platform focused on facilitating more frequent but targeted surveys and providing tailored support for line managers in improving engagement and enablement. The results will provide sufficient depth of data for line managers to gauge how their people are feeling and enable them to react accordingly.
- Alignment of the Directors' Remuneration policy with the new strategy. Performance measures for variable incentives have changed to align with our revised strategic priorities and our corporate and pub goals.
- All NEDs were appointed to serve on all Committees with effect from 20 October 2020.

Appointing our new CEO and CFO

Following Ralph Findlay's notice of intention to step down as CEO, the Board appointed Russell Reynolds to commence the search and assessment of candidates for his successor. Russell Reynolds is accredited under The Enhanced Code of Conduct for Executive Search Firms as specifically promoting gender diversity in FTSE350 companies and is a founding partner of the CBI's Change in Race Ratio initiative recognising their commitment to all aspects of diversity.

The Board considered and prepared a brief covering the key attributes, experience and personal traits desirable in the ideal candidate, then agreed a timetabled approach before the commencement of a thorough and extensive search. The Chair, the Chair of the Remuneration Committee, Group HR Director and Group Secretary met with Russell Reynolds to review the long list of candidates, before arriving at a short list for all of the NEDs to interview. In addition, it was agreed that the shortlisted candidates would each be subject to psychometric testing and an interview with an organisational psychologist to provide a fuller picture on the leadership behaviours of each candidate.

The NEDs, together with the Chair, Group HR Director and Group Secretary then met with each of the shortlisted candidates in person. Having debated the relative merits of each candidate and, with reference back to the original brief, the Nomination Committee, excluding Ralph Findlay, proposed to offer the position to Andrew Andrea, noting especially the value of his current and previous experience. The Board unanimously approved the proposal.

As a consequence of this decision, a process then commenced to search for a new CFO. It was agreed that appointing Russell Reynolds to support the Board in this search also would be



Corporate Governance Report continued

most effective, in view of the knowledge they had acquired during the search process undertaken for the CEO. It was further agreed that the process would consider internal and external candidates as before. A selection panel of the Chair of both the Audit and Remuneration Committees, together with the Group HR Director, Group Secretary and newly appointed CEO, was appointed by the Board to assess the candidates. A detailed brief was drawn up, against which each candidate could be assessed objectively. Having met with each shortlisted candidate (who had each undertaken the same psychological assessments as for the CEO), Russell Reynolds recommended that the panel meet first with Hayleigh Lupino as their preferred candidate. It was agreed that only Matthew Roberts and Octavia Morley would attend the meeting with Hayleigh, rather than the entire selection panel, to avoid any potential conflicts of interest. Following this meeting, both Matthew and Octavia recommended her appointment to the Nomination Committee. Noting that the appointment into her current role as Director of Group Finance was with a view to succession planning, and that she had shown herself to possess the technical and commercial attributes required for the role, the Committee noted how favourably she benchmarked against the external candidates identified as suitable for the role. The Nomination Committee were unanimous in recommending her appointment as CFO and the Board approved the proposal.

4. Audit, Risk and Internal Control

Fair, balanced and understandable

Throughout the year, the Board receives updates on the performance of the business and key challenges, opportunities and risks. During the year-end processes, comprehensive reviews and validations are undertaken by the Company Secretariat and Finance teams with support from teams across the business to ensure that the information provided in the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable. Drafts of each section of the Annual Report and Accounts are reviewed for consistency and alignment across the whole document, and linkage to strategy, business model and risks. The accuracy of the content is then verified by supporting evidence before presenting to the Board, in good time for consideration ahead of final approval. The external Auditor provides reassurance through their review processes which are focused on consistency between the narrative and numbers, and an assessment of the appropriateness of weighting to present a fair and balanced report on the period.

Having reviewed the processes and heard from the Audit Committee about the discussions with the external Auditor, the Board is satisfied that the Annual Report and Accounts taken as a whole presents a fair, balanced and understandable representation of the Company's position and performance, together with its strategy and business model.

Risks and internal controls

The Audit Committee receives regular and detailed updates on the Company's risks, both current and emerging, and the risk management systems that are in place to monitor and manage its risks. These are presented by the Corporate Risk Director who attends each meeting to provide the Non-executive Directors with greater transparency of the risk management system in their deliberations. The Board as a whole considers the effectiveness of the risk management and internal control systems through a thorough assessment of the risks facing the Group that would threaten its business model or future performance. To supplement these considerations, the Board receives reports and updates from the Risk & Compliance Committee along with ongoing updates from the PLC Exec.

The Risk & Compliance Committee, chaired by the Group Secretary, is responsible for monitoring all areas of legal and regulatory compliance across the business and for approving Group policies. Comprising relevant representatives from across the business, the Committee considers the impact of any emerging legislation on the business, the effectiveness of our internal controls and compliance processes as well as receiving regular updates on those areas identified as our key risks. The quarterly meetings inform the Internal Audit plan and provide an agreed focus for the compliance testing that seeks reassurance that the business is complying with relevant legislation, its policies and procedures.

More details on the Group's approach to risk management and internal controls are provided in the Strategic Report on pages 22 to 31.

Going Concern and Viability Statements

Once again, the pandemic has significantly impacted the Group's ability to trade and, throughout this year, the Audit Committee has considered the Group's assessment of its going concern and viability, including the assumptions and scenario testing applied to its financial forecasts. These considerations have taken account of advice and comment provided by the external Auditor. During the year it has been necessary to seek approval for further covenant waivers and amendments from our bondholders and banks, directly as a result of the closure of the business during the national lockdown periods. Whilst we are optimistic that further lockdowns will not be introduced, the future remains uncertain because of the ongoing pandemic risk and, as a result of the Group's ability to continue as a going concern being dependent on securing further covenant waivers and amendments, this represents a material uncertainty over going concern.

The Committee is comfortable with management's calculations and assumptions that its liquidity facilities have sufficient headroom to weather further lockdowns and so concurs with management that the Group will be able to meet its liabilities as they fall due over the coming period. The Going Concern and Viability Statements are set out on pages 58 and 31 respectively.



Audit Committee Report



Our responsibilities

- Reviewing the integrity of the Annual Report and Accounts and Interim Results and advising the Board on their assessment and approval, paying particular attention to significant reporting judgements.
- Monitoring the internal controls and risk management system, with particular regard to the financial controls and approving the Viability Statement.
- Review and approve the annual internal audit plan, receiving regular updates on work done.
- Reviewing the external Auditor's independence, objectivity and effectiveness.

Attendees

The Corporate Risk Director and the external Auditor attend each meeting. The CEO and CFO are usually invited to attend all or part of the Committee's meetings.

Key activities during the reporting year

- Reviewing the Interim Results and full year accounts prior to Board approval.
- Considering the most significant areas of financial judgement and related accounting treatment.
- Reviewing the main corporate risks, methods of managing, mitigating and assurance testing.
- Assessing the effectiveness of the 'Speak Up' policy and developments in allergen reporting and training.
- Receiving updates on and approving the Statutory Pubs Code compliance report.

Dear Shareholder,

I am pleased to present the Audit Committee Report for the period ended 2 October 2021.

The Committee has continued to play a crucial role in assessing the integrity of the Group's processes and procedures responsible for its financial reporting, internal control and risk management. Once again, the business was impacted by COVID-19 and I have maintained regular conversations with both CFOs and the external Auditor around the Group's financial position and any required courses of action. The disruption has illustrated how we need to embed the future threat of such risk into all of our principal risks but I am reassured by the Group's effective response to the impact of the pandemic.

During the year, the Committee considered the results of the external valuation conducted by independent chartered surveyors, noting the impact of the pandemic on pub values, along with an assessment of the Group and Company's ability to continue as a going concern. I am satisfied that both matters have been the focus of a thorough process and interrogation before concluding on the outcomes. Additionally, the Committee has continued to have oversight of all matters impacting business conduct and integrity, whistleblowing allegations and the principal risks and emerging risks.

In addition to the Committee receiving regular updates from the external Auditor, the CFO and Corporate Risk Director, as Chair I have continued to conduct individual meetings with each of them to maintain an independent perspective and I am confident that each continues to display the necessary level of capability and assurance for their respective responsibilities.

Following this year's internal evaluation, I am pleased to confirm that I consider the Committee's effectiveness to have been of a high standard, providing the appropriate level of independent scrutiny and oversight, supported by the assurance from the internal and external auditors.

Matthew Roberts

Chair

External Audit

The Group's relationship with the external Auditor is managed through their attendance at each Committee meeting together with several meetings with the Chair of the Committee, providing sufficient opportunity to interrogate and challenge key areas and findings.

A paper setting out a formal evaluation of the effectiveness of this year's audit will be drafted to the March 2022 Board.

KPMG were appointed in 2020 following an objective and competitive tender process overseen by the Committee. There are no contractual obligations restricting the Group's choice of external auditor.

During the year the Committee considered the independence and objectivity of the external Auditor, which was confirmed by an independence letter from KPMG setting out their safeguarding procedures alongside regulatory requirements and their professional and ethical standards. The effectiveness, efficiency and cost of the external audit process was considered as part of the review of the 2020 final audit, comprising communication expectations, timing of deliverables, interim procedures, review processes and the quality of reporting observations and recommendations. Meetings between management and the external Auditor took place after the year-end audit, the first undertaken by KPMG, with a view to further improving the planning process to ensure a smooth audit of the 2021 year end and to explore how regular meetings with Internal Audit might assist that aim. Taking account of all these factors, the Committee consider KPMG to have been effective in delivering a high-quality audit with the appropriate level of independence and objectivity, and therefore recommend their re-appointment to shareholders.

No non-audit services were provided this year, apart from advice on our drafting of the responses to the FRC letter.

Internal Audit function

During the year, the Internal Audit function was reorganised into a more efficient structure to provide assurance of the adequacy and effectiveness of internal controls, risk management and compliance across the Group.

The Committee have reviewed and agreed the Internal Audit Plan for 2021/2022 having regard to the Group's business risks and the disruption to operations. The Plan is sufficiently dynamic to be able to respond to new information and unforeseen events should the need arise and has been drawn up in the light of the continuing uncertainty of the impact of COVID-19. During lockdown, essential compliance checking continued remotely but other planned audits were suspended. As the business reopened the internal audit team and co-source recommenced their work, focusing on the delivery of targeted audits, mindful of the pressures that the closure and reopening has placed on the business whilst seeking the necessary assurances as to the robustness of the particular area. The internal audit team briefs the Committee regularly on its findings from audit assignments along with any recommended actions arising and a timetable for completion.



Audit Committee Report continued

Statutory Pubs Code

The Committee has been updated during the year on matters relating to the Pubs Code and, in accordance with those regulations, the Chair of the Audit Committee has approved the annual compliance report that was submitted to the Pubs Code Adjudicator (PCA) by the Company's Code Compliance Officer for the reporting period 1 April 2020 – 31 March 2021.

During the reporting period, Marston's was not subject to any investigations, enforcements or representations of unfair business practices by the PCA. Two referrals were made to the PCA: one was in relation to the MRO provisions of the Pubs Code, and one was on non-MRO grounds. Both referrals were subsequently withdrawn.

The Group continues its commitment to work within the Pubs Code regulations and regularly reviews its internal processes to ensure all relevant internal and external parties are aware of the latest regulations and practices. During the reporting period, all of Marston's Business Development Managers received updates and training on the Pubs Code.

Significant financial judgements and estimates

Going Concern

The Committee has continued to monitor and review management's assessment of the potential impact of any additional COVID-19 related restrictions, specifically with regard to the Group's ability to operate as a going concern for the next twelve months and meet its liabilities as they fall due over the next three years. It has considered the methodology of management's projections and forecasts, noting that they take account of a severe but plausible downside scenario relating to the pandemic, the consequential impact on liquidity and trade, the changes in consumer behaviour and economic and political uncertainties.

The Committee has noted that, even in a downside scenario, the Group has sufficient liquidity to prepare the accounts on a going concern basis. Based on both the base case forecast for next year and the severe but plausible downside scenario of a two-month lockdown with no Government support, the Group will require banking waiver consents after January 2022 and also bondholder waivers for the securitisation in the downside scenario. The Committee has noted that management are actively engaged with the Group's lenders to keep them informed of trading performance and the need to negotiate further waivers. Whilst there is no certainty that the waivers will be granted, the Committee is supportive of management's assertions that, based on the support received during 2020 and 2021, such waivers will be secured.

Estate valuation

The Committee met on several occasions to consider the valuation of the estate, noting that the external valuation undertaken this year has resulted in a freehold impairment of £102m and a leasehold impairment of £27m. The Committee heard from the Property Director, who explained the methodology and assumptions behind the valuation, together with the key issues arising and the road to recovering the value. The Committee supports the move to more frequent valuations in the future to capture this recovery. Both the external Auditor and the Chair of the Audit Committee met with the external valuers to consider and challenge their approach and conclusions. The Committee noted the work undertaken by the external Auditor, in reviewing the valuation and have concluded that the assumptions around fair maintainable trade and valuation multiples reflect the current ongoing uncertainties. They therefore accept that the valuation is reasonable overall.

Valuation of derivative financial instruments

Recognising that the valuation of interest rate swaps is sensitive to the discount rate and credit risk adjustment, the Committee noted the assumptions and methodology applied. In particular, the Committee considered the credit risk adjustment applied by management, noting it to be in line with the range expected by the external Auditor and comparable to other companies with similar credit risks. The Committee further noted the inputs used to derive future rates of interest and the timing of cash flows and found these to be reasonable. The Committee is also satisfied with the disclosure of all swaps as non-current liabilities within the Balance Sheet and supports the replacement of LIBOR with SONIA (Sterling overnight index average) as the alternative interest rate where relevant.

Accounting for the disposal of Marston's Beer Company

The disposal of the brewing business and subsequent acquisition of 40% of CMBC, along with an ongoing exclusive drinks supply agreement, was a major transaction occurring during the year that incorporates a number of different accounting treatments. The Committee noted the fair value accounting for the cash receipt, the cost of the investment in CMBC and the contingent consideration and is comfortable with management's approach. The Committee observed the work undertaken by the external Auditor to assess the ongoing relationship with CMBC and noted it to be at arm's length, thereby supporting the accounting treatment of the various assets together with the disclosure in the financial statements, at notes 8 and 12 on pages 104 and 110.

FRC letter

During the period, the Company received a letter from the FRC following a review of its Annual Report and Accounts for the period to 3 October 2020 requesting clarification of several key judgement areas. The enquiry was concluded ahead of the year end. No specific requests to change the accounting treatment were made and, having reflected on the questions raised, management have undertaken to increase certain disclosures in these financial statements where relevant to aid the reader's understanding. Specifically, these comprise: more detailed information about debt covenants; classification of the fair value measurement of the pub estate as Level 3 of the fair value hierarchy, rather than Level 2; an explanation of any significant movements in the discount rate used in an impairment review; the assumptions relating to impairments; the residual value of the effective freehold land and buildings pub properties being equal to the carrying value; the cash flow statement to commence with an IFRS measure of profit or loss; and the nature of evidence supporting the recognition of deferred tax assets.

The FRC make it clear that their review provides no assurance that the Annual Report and Accounts are correct in all material respects nor do they verify the information provided by the Company and therefore they accept no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.



Directors' Remuneration Report

Annual Statement



Dear Shareholder,

I am pleased to present our report for the period ended 2 October 2021. Whilst the disruption to our business caused by the global pandemic has continued during the year, we have worked on ensuring our remuneration structures are aligned to our strategic objectives and provide the right level of incentivisation to management and the wider workforce. Our aim is to always consider the wider workforce, our shareholders and other stakeholders by taking a fair, prudent and balanced approach to remuneration. We are grateful for the continued support of our shareholders despite the suspension of the dividend programme, as a consequence of the impact of the pandemic.

The Annual Report on Remuneration (on pages 64 to 72) describes how the Directors' Remuneration Policy has been applied for the period ended 2 October 2021, and how we intend to implement the Directors' Remuneration Policy for the 2021/22 financial period.

Strategic and business context

In the reporting period, we have experienced further pub closures and significant trading restrictions that have impacted on our earnings. At the time of writing, COVID-19 case numbers in the UK remain high amid speculation of certain restrictions returning during the Winter months. The business has remained focused on cash management during the year, but we have also invested in our estate ready for reopening and a return to growth. Our net debt borrowings (excluding IFRS 16 commitments) at £1,232m at the year end was

£97m lower than at the same point in 2020, following completion of the partnership with Carlsberg in October 2020. We also recognise and acknowledge that Government support, in the form of the Coronavirus Job Retention Scheme (CJRS) and business rates relief, has contributed to this result.

We launched our revised strategy during the 2019/20 financial period and, since then, have embedded our strategic objectives across the organisation. Our strategy and the pages that follow (10 to 16) provide more detail on how we are working towards our vision of 'Pubs to be proud of'.

Our people are engaged, energised and committed to delivering our goals and seeing Marston's return to growth. The purpose of our people strategy (on page 34) is to support the delivery of our pub and corporate goals and we will continue to review workforce related remuneration and policies, together with our Directors' Remuneration Policy, to ensure they remain aligned and fit for purpose. Ahead of our tri-annual renewal of our Directors' Remuneration Policy at our 2023 AGM, our primary focus will be continuing to invest in our teams and our pubs and ensuring that our Remuneration Policy continues to be fit for purpose for a focused pub company.

Directors' Remuneration Policy

Our current Remuneration Policy became effective from the close of the 2020 AGM on 27 January 2020 and the following pages describe how the policy has been applied in 2020/21. Rather than reproduce the full policy in the Annual Report on Remuneration, we have provided extracts from the policy alongside its implementation during the year. The full policy can be found on pages 57 to 64 of the 2019 Annual Report and Accounts and is also available in the Corporate section of our website (www.marstonpubs.co.uk).

Review of the year

Performance

Both the Chair's Statement and CEO's Statement report on our performance in 2020/21 and how further pub closures and significant trading restrictions, as a result of COVID-19, have continued to impact the business and our financial results. The underlying loss before tax was £100.0 million (2020: £22.0 million).

Performance outcomes for the year

Salary and fees 2020/21

During the reporting period, the Group experienced further disruptions to trading under the tier system, a subsequent full lockdown and ongoing trading restrictions during the Spring and Summer. Whilst the majority of our workforce was furloughed for long periods during the year, under the Government's CJRS, a number of employees, including the CEO, CFO and Non-executive Directors, continued to work during these periods. As a result of strong cash controls, implemented during 2019/20, sufficient cash headroom in our banking facilities and receipt of the proceeds from the completion of the partnership with Carlsberg early in the 2020/21 reporting period, all working employees received their full salary during the period. For those employees who were furloughed, the business 'topped up' furlough payments to 100% of salary, up until January 2021. The majority of our employees returned to work during the period from April to June, with less than 1% of the workforce furloughed at the end of June 2021.

Annual bonus 2020/21

With the underlying loss before tax of £100.0 million and free cash flow (FCF) for the period of £(61.0) million, the threshold for both of the key financial metrics in the annual bonus scheme were not met. The third financial metric and the We will Grow strategic measures did reach the target performance level, resulting in a formulaic outturn of bonuses for the Executive Directors of 24.4% of salary. However, recognising the support received from Government

and in the context of the wider shareholder experience, management proposed that no bonus should be paid to the Executive Directors, senior management team or to participants in the wider Group bonus scheme. The Committee is disappointed not to be able to reward management and the wider workforce in respect of the progress made towards these strategic objectives, particularly under such challenging trading conditions, but supported the recommendation. Further information is given on page 65.

When pubs reopened, a new 'Boost' bonus scheme was implemented for operational and local pub teams, with performance measures focused on standards and Guest satisfaction scores. A small number of employees received a payment under this scheme, in respect of performance during the last quarter of the reporting period.

LTIP 2018/19 Outturn

The three-year performance period for the LTIP award made in December 2018 ended on 2 October 2021. Each of the three performance measures: CROCCE, FCF and relative TSR failed to reach threshold performance of 10.5%, £300 million and median respectively. The award, therefore, has lapsed for all participants. Further information is provided on page 66.

LTIP 2019/20

The 2019/20 LTIP award was granted in December 2019, prior to the disposal of Marston's Beer Company into the partnership with Carlsberg. The applicable performance targets have been adjusted to take account of the disposal, and further information is provided on page 66. The Committee is satisfied that this adjustment maintains the level of stretch in the original targets.

Single total figure of remuneration

Taking into account the continued disruption caused by the global pandemic, pub closures and significant trading restrictions during the reporting period, and the significant negative impact on delivery of the Group's key performance indicators, the creation of



Directors' Remuneration Report continued

Annual Statement

shareholder value and the wider stakeholder experience the Committee considers that the single total figure of remuneration is appropriate. The Executive Directors received no variable pay for the period. Employee pay has been protected as far as possible during the period: with a 2% increase implemented in October 2020; and, as noted above, pay for furloughed employees was topped up to 100% up until January 2021 with the majority of the workforce returning to work between March and June 2021.

Change in Executive Directors

I was delighted with the outcome of the recruitment process for both the CEO and CFO roles and look forward to working with both Andrew and Hayleigh as they lead Marston's into the next phase of its history, as a focused pub operator. Ahead of the decision to offer each post to the successful candidate, the Remuneration Committee discussed the proposed remuneration package, with input from our Group HR Director, Russell Reynolds, the executive search firm appointed by the Board, our remuneration advisers and the Chair. The packages agreed for both Andrew and Hayleigh are in accordance with our Directors' Remuneration Policy and provide incentives that are aligned to our strategy and commensurate with their roles, responsibilities and experience.

In summary, the base salary for Andrew has been set at £602,550 (i.e. slightly lower than the base salary that would have applied to Ralph Findlay with effect from 1 October 2021). Hayleigh's base salary has been set at £386,250 (which is lower than Andrew's base salary as Chief Financial and Corporate Development Officer). As detailed below, the pension/cash in lieu of pension rate for both Andrew and Hayleigh has been set at 3% of base salary with effect from 3 October 2021, in line with the rate available to the majority of the wider workforce. Overall, this means that the fixed pay for both Andrew and Hayleigh is below that of their predecessors and no changes have been made to the overall annual and long term incentive opportunities.

As announced on 11 March 2021, and confirmed on 16 September 2021, Ralph Findlay stepped down from the Board on 2 October 2021 and retired from his role as CEO. Details of the remuneration arrangements connected with his retirement are set out on page 68.

Alignment of the Directors' Remuneration Policy with the Code

When determining the application of the Directors' Remuneration Policy, the Committee considered clarity, simplicity, risk, predictability, proportionality and alignment to culture as set out in the 2018 Code. We operate simple variable pay arrangements, which are subject to clear performance measures aligned with the Group's strategy and the interests of all stakeholders. The application of recovery provisions (malus and clawback) enables the Committee to have appropriate regard to risk considerations. In addition, the shareholding requirements for the Executive Directors and the operation of a post-employment shareholding guideline further align the interests of our Executive Directors with the long-term interests of the Company and shareholders. As part of our culture, in determining the Remuneration Policy, the Committee was clear that it should drive the right behaviours, reflect our values and support our Group purpose and strategy.

Key activities of the Committee in respect of the year

- Review of progress towards implementation of the Group Reward Plan – building reward structures that are relevant, engaging and sustainable for all our people.
- Remuneration packages for new appointments to the CEO and CFO roles, including pension arrangements.
- Agreeing and approving remuneration in connection with Ralph Findlay's retirement from the Board and as CEO.
- Consideration of pay review proposals for the Chair, senior management and the wider workforce.
- Continued to monitor the impact of COVID-19 pandemic on employees: wellbeing, reward and motivation as the business reopened.
- 2021 bonus and 2018/19 LTIP award outturns, as outlined above.
- Consideration of targets for Operational, Group, senior management and Executive Director bonus schemes.
- Consideration of LTIP grants.
- Review of 'in-flight' LTIP awards and adjustment of EPS target for 2019/20 award.
- Review of Executive Directors' and senior management shareholdings in the Company, in the context of shareholding guidelines.
- CEO pay ratio reporting.

Looking forward to 2021/22

Executive Director pay and the wider workforce

Salary, benefits and performance related rewards provided to employees are taken into account when setting policy for Executive Directors' remuneration. We aim to operate with fairness, integrity and transparency across the organisation and we have employee feedback systems and employee forums in place, via which the wider workforce's views on remuneration are fed back to the Committee. Further information is detailed in our Corporate Governance Report on page 50.

The majority of our workforce have their remuneration set by statute. However, general managers, at a local level, do have discretion to apply a higher rate where appropriate and to retain those differentials where minimum levels are increased. We previously announced that we are no longer a zero hours employer, with team members able to opt for a fixed hours contract. Annual reviews for our salaried workforce (comprising our Pub Support Centre and pub general managers) were aligned to October during 2019/20. The decision on any increase is made by the PLC Executive during September, ahead of the October Remuneration Committee meeting, allowing a paper to be submitted that summarises the outcome of the review. This paper is taken into account when setting Executive Directors' and senior management remuneration (also effective from the start of October for the following 12 months). The Committee also has oversight of how bonus schemes throughout the organisation align, the performance measures and targets and outturn of each scheme, providing context for the approval of any pay-out to Executive Directors and senior management.



Directors' Remuneration Report continued

Annual Statement

Pay award effective 1 October 2021

A 3% increase for senior management and the wider workforce has been approved with effect from 1 October 2021. This recognises the challenging period ahead, the commitment of our workforce and the aim to return Marston's to growth. As noted above, with Andrew Andrea appointed as Chief Executive Officer and Hayleigh Lupino appointed as Chief Financial Officer, both with effect from 3 October 2021, their salaries were set upon appointment to reflect their individual roles, responsibilities and relevant experience.

Following the deferral of the fees review for Non-executive Directors and the Chair, the Committee approved a 3% increase to the Chair's fees. The Chair's fees have not changed since his appointment in 2018 and the increase is in line with that applied to the wider workforce. Separately, the Chair and Executive Directors approved an increase to Non-executive fees, which were last reviewed and increased in October 2018. The increase to the base fee is in line with the rate applied to the wider workforce.

Retirement benefits

The Committee had previously set out its intention to reduce pension contributions/cash in lieu of pension contributions for incumbent Directors to 7%, being the contribution rate available to the majority of employees who participate in the Group Personal Pension Plan (GPPP), not later than the 2023/24 financial period. The Committee reflected on investor feedback and how the shape of the workforce had changed now that Marston's was a pure pub operator, following completion of the partnership with Carlsberg. Being mindful that the pension scheme available to the majority of the wider workforce is NEST, with a contribution rate set at 3%, the Committee considered and agreed that 3% was a more appropriate rate with which to align Director contribution rates. Accordingly, with effect from 3 October 2021, the employer pension contribution rate for both the CEO and CFO has been set at 3% of salary.

Annual bonus for 2021/22

During the implementation of the Group Reward Plan, the Reward team have reviewed bonus arrangements across the Group and, with the revised strategy and a simpler people structure in place, have taken the opportunity to simplify the schemes for the wider workforce and ensure that all performance measures are aligned with strategy and appropriate for each scheme. Targets and performance measures vary slightly, based on the focus for each level, for example targets for operational and local pub teams are linked to segmental or local performance. The maximum potential award, expressed as a percentage of salary, also varies between different employee groups.

For the 2021/22 annual bonus scheme, no changes in quantum are proposed in respect of the Executive Directors, which will remain at 100% of salary. Despite the continuing uncertainty surrounding the ongoing impact of COVID-19 current trading conditions, the current pay-out at threshold of 20% will be retained and on-target performance will return to the normal 50% pay-out level.

Alongside the change in the performance measures for the Long Term Incentive Plan discussed below, the Committee has decided to replace underlying PBT with EBITDA. EBITDA is a key measure that is reported internally and provides 'line of sight' for all bonus scheme participants. This also mitigates the risk of using the same performance measure in both the Annual Bonus and the LTIP. The table below shows that the weighting of the financial measures, EBITDA and FCF, have been slightly adjusted from 25% to 30% of maximum and from 30% to 40% of maximum, respectively. The Committee has agreed to increase the weighting for EBITDA as the Group pursues a return to growth and are satisfied that a higher weighting for FCF than EBITDA remains appropriate on the basis we are focused on the cash generated by our pubs, after paying interest and other borrowing costs, that is available for re-investment, reducing debt or paying dividends.

The strategic measures within the bonus scheme have been revised to align with key measures that the business is focused on. (Details of our updated KPIs are set out on page 17). The first strategic objective will focus on our sales performance against the Peach tracker; we want to consistently outperform the market in both our food and wet sales (10% of maximum). The second strategic objective will focus on our guest satisfaction scores which are a key strategic focus for the business (10% of maximum). More information about Reputation can be found on page 11. The third strategic objective is employee engagement (10% of maximum); we want to be a great place to work where our people feel valued and can grow to be the best they can be. Happy and engaged teams will take pride in ensuring our guests have a great experience. The financial and strategic measures are aligned with those applied to our senior management, group and operational bonus schemes, as appropriate to each of those schemes.

The Directors consider that the annual bonus targets for 2021/22 financial year are commercially sensitive matters as they provide competitors with insight into our business plans and expectations, and therefore they should remain confidential to the Group until the performance period has ended. The Committee will continue to disclose how the bonus pay-out delivered relates to performance against the targets on a retrospective basis.

Strategic pillar	Performance measure	% weighting for 2021/22
We will Grow	EBITDA (financial)	30%
	Free cash flow (financial)	40%
	Performance v Peach (strategic)	10%
We are Guest Obsessed	Guest – Reputation.com (strategic)	10%
We Raise the Bar	Employee Engagement (strategic)	10%



Directors' Remuneration Report continued

Annual Statement

LTIP for 2021/22

Market conditions remain challenging, with continued uncertainty around the pandemic, global supply chain issues, competitive market for talent and inflationary pressures. Against this backdrop, as a pure pub operator, with a new strategy in place and clear strategic objectives and goals, the Committee intends to grant awards under the Long Term Incentive Plan in December, in line with the normal award cycle.

Recognising the importance of the Leadership Group and their contribution to the 'Back to a billion' plan, participation in the 2021/22 LTIP is being extended to include all members of the Leadership Group. This will ensure that we maintain a fair and consistent approach from the Executive team through to the Leadership Group; it is aligned to our strategic deliverables and is the most appropriate performance lever in the current circumstances.

The Committee has reviewed the LTIP performance measures and has decided to replace underlying EPS with underlying PBT for the 2021/22 LTIP. A pre-tax measure is considered to be a more appropriate measure of profitability for Marston's as this mitigates the risk of EPS volatility caused by tax losses to be carried forward in future financial periods. This is also considered to be a more relevant metric taking into account the extended participation in the LTIP, given the better line of sight for participants.

Weightings will not be affected by the change from EPS to PBT (40% PBT, 40% NCF and 20% relative TSR). Full details of performance targets and Executive Director award levels are set out on page 64.

Committee focus for 2021/22

The Directors' Remuneration Policy is next due to be considered by shareholders in 2023. The Committee will undertake a thorough review of the current policy, and consider what changes are required to ensure the policy is fit for purpose for a focused pub company, with appropriate structures and performance measures for our variable pay schemes, in the context of the wider workforce and aligned with the interests of shareholders and other stakeholders in our business. We will also continue to monitor the operation of the policy in its final year, particularly in the context of the continuing global pandemic and other market challenges. The Group and the Committee remain committed to a fair and responsible approach to executive pay.

Shareholder engagement

The Committee welcomes ongoing shareholder dialogue and takes an active interest in voting outcomes. We are pleased that the 2020 Annual Report on Remuneration received strong levels of support, with over 86% of votes cast in favour of the resolution. We also thank our shareholders for approving the Directors' Remuneration Policy in 2020, with over 86% of votes cast in favour of the resolution. Ahead of the policy vote in January 2020, we received feedback on a number of policy matters, including pension contributions for incumbent Directors, our choice of TSR comparator group and post-shareholding guidelines. As noted above, the pension/cash in lieu of pension rate for both our new CEO and CFO has been set at 3% of base salary with effect from 3 October 2021, in line with the rate available to the majority of the wider workforce. As part of the policy review during 2021/22, we will continue to engage with shareholders.

We welcome and encourage all feedback from our shareholders as it helps inform our thinking on remuneration matters and hope we can rely on your continuing support. If you would like to contact me directly to discuss any aspect of our policy or this report then please email me at remunerationchair@marstons.co.uk. At the time of writing, we are intending to hold a physical AGM in 2022, with shareholders invited to attend. I will be

available at the AGM (on 25 January 2022) to answer your questions. Alternatively, if you are not able to attend or, if any prevailing restrictions at the time prevent the AGM from being held as a physical meeting, please do send your questions to the email address above.

Octavia Morley

Chair of the Remuneration Committee

Our responsibilities

- Determining the framework and policy for Executive Directors' remuneration.
- Within that framework, setting the remuneration for the Executive Directors and other members of the PLC Executive Committee (including the Group Secretary).
- Setting the Chair's remuneration.
- Establishing remuneration schemes that promote long-term shareholdings by Executive Directors, that support alignment with long-term shareholder interests.
- Designing remuneration policies and practices to support strategy and promote long-term sustainable success, with remuneration aligned to the Group's purpose and values, linked to the successful delivery of our long-term strategy. Choosing appropriate performance measures and targets for annual and long-term incentive awards; exercising independent judgement and discretion when considering awards and pay-outs, taking account of Group and individual performance, and wider circumstances.
- When determining remuneration policy and practices, considering the Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.
- To consider remuneration policy in the context of the wider workforce benefit structures, pension provision and remuneration trends across the Group and challenge, when necessary, to ensure alignment.

Attendees

The Committee receives advice from a number of different sources. This helps to inform decision-making and ensures the Committee is aware of pay and conditions in the Group as a whole, and conditions in the wider market.

Ralph Findlay, CEO until 2 October 2021, attended the majority of meetings during the year to provide advice in respect of the remuneration of Andrew Andrea (CFO during the reporting period) and senior management. Ralph did not attend either of the additional meetings that discussed the remuneration packages for the incoming CEO and CFO. Group HR Director, Liam Powell and Assistant Company Secretary, Michelle Woodall, also attend each meeting and provide advice to the Committee. No person is in attendance for any discussions regarding their own remuneration.

Deloitte LLP (Deloitte) were appointed by the Committee in 2003 and are retained as an independent adviser to the Committee, attending meetings as and when required. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under its Code of Conduct in relation to executive remuneration consulting in the UK. Deloitte received fees amounting to £9,200 during the year in respect of advice given to the Committee, and also provided advice during the year in relation to the operation of the Company's share plans.

⊕ Details of the Committee's membership are set out on page 49, along with the membership of other Board Committees.



Remuneration Summary 2020/21

Principles

- Ensure remuneration arrangements support **sustainable growth** and strategic objectives of the Group.
- Substantial part of the incentive package for Executive Directors is awarded in the Company's shares to **ensure interests are aligned with shareholders**.
- Ensure Director and senior management salaries are set with **reference to the wider workforce**.

Component	Key features (current Policy)	Implementation in 2020/21
Basic salary and core benefits	Reflects scope of the role; to recruit and retain calibre required; and reviewed in context of wider Group	2% increase in salary in 2020/21 in line with the average salary increases across the Group 2% reduction in pension contributions for CEO and CFO from 20% to 18% Other elements of benefits package unchanged
Annual bonus	Maximum 100% of salary Committee discretion Clawback provisions apply for up to two years	0% bonus awarded reflecting performance against targets as described on page 65
Deferred element of bonus	Payments in excess of 40% of maximum usually deferred into shares Malus provisions apply for up to three years	No bonus awarded so no deferral into shares
Long Term Incentive Plan (LTIP)	Maximum annual award is 150% of salary Normal maximum is 125% of salary Malus and clawback provisions apply for up to two years	LTIP award granted in December 2018 lapsed in full as performance targets not met Awards of 125% of salary granted during the period in May 2021
Share ownership policy	200% of salary for all Executive Directors	313% of salary for Ralph Findlay, CEO 120% of salary for Andrew Andrea, CFO

Outcomes

		Fixed Basic salary, core benefits and pension	Variable Annual bonus	Long-term incentives	Total
Andrew Andrea	2021	£478,374	£0	£0	£478,374
	2020	£445,365	£0	£0	£445,365
Ralph Findlay	2021	£711,612	£0	£0	£711,612
	2020	£592,423	£0	£0	£592,423

How we performed against our objectives

Annual bonus for 2020/21

Performance metric	Link to strategy	Weighting	Threshold	Target	Maximum	Actual	% of salary
Underlying Group profit before taxation		25%	£33.41m	£34.1m	£37.64m	£(100.0)m	0%
Free cash flow		30%	£53.5m	£54.6m	£60.28m	£(61.1)m	0%
Successful implementation of the transition period for the Carlsberg partnership	We will Grow	25%	85%	90%	100%	90%	15%
Guest satisfaction scores	We are Guest Obsessed	10%	78%	80%	84%	77.8%	0%
Cost reduction programme	We Raise the Bar	10%	£2.5m	£3.0m	£4.0m	£3.9m	9.4%
Bonus outturn							24.4%
Bonus awarded							0%

LTIP vesting in 2020/21 (2018/19 LTIP Award)

Performance metric	Link to strategy	Weighting	Base	Threshold	On-target 50% vesting	Maximum 100% vesting	Actual	LTIP vesting
CROCCE	See note below ¹	40%	10.5%	Base +0.25%	Base +0.5%	Base +1.0%	2.7%	0%
Free cash flow		40%	£300m	Base +7.5%	Base +15.0%	Base +30.0%	£126.6m	0%
Relative TSR	We will Grow	20%	-	Median	-	Upper quintile	Below median	0%

1. At the time of the award, CROCCE was a key performance indicator.



Annual Report on Remuneration

This part of the Directors' Remuneration Report sets out how we have implemented our current remuneration policy during the period ended 2 October 2021. Sections in the report not specifically stated as audited are not subject to audit.

Executive Directors

Single total figure of remuneration (audited)

Period ended 2 October 2021	Salary £	Benefits £	Bonus £	Long-term incentives £	Pension £	Total £	Total fixed remuneration £	Total variable remuneration £
Andrew Andrea	392,928	14,719	0	0	70,727	478,374	478,374	0
Ralph Findlay	586,682	19,327	0	0	105,603	711,612	711,612	0

Period ended 3 October 2020	Salary ¹ £	Benefits £	Bonus £	Long-term incentives £	Pension £	Total £	Total fixed remuneration £	Total variable remuneration £
Andrew Andrea	359,542	13,915	0	0	71,908	445,365	445,365	0
Ralph Findlay	466,785	18,271	0	0	107,367	592,423	592,423	0

1. In the first national lockdown in March 2020, during the 2019/20 financial period, whilst the Group's entire pub estate remained closed, those employees who were not furloughed were paid 80% of their base salary. This included Andrew Andrea and his salary was reduced to £308,179 during the period April 2020 to July 2020. Ralph Findlay voluntarily reduced his base salary to £250,000 during the same period; a reduction of 56%. Car allowance payments and pension contributions were reduced by 20% for the same period.

Individual elements of remuneration (audited)

Fixed elements: Base salary, benefits and retirement benefits

Directors' Remuneration Policy

Base salary is a core element of fixed remuneration, reflecting the individual's role and experience. Base salary is usually reviewed annually by the Committee and fixed for the financial year. Salary increases are reviewed in the context of salary increases across the wider Group.

Executive Directors receive benefits in line with market practice which are set at a level which the Committee considers appropriate against the market.

Executive Directors are eligible to participate in the defined contribution pension scheme and, if a member before closure of the scheme, the defined benefit scheme. In appropriate circumstances, Executive Directors may take a salary supplement instead of contributions into a pension plan.

Base salary

A 3% increase for senior management and the salaried workforce¹ has been approved with effect from 1 October 2021. This recognises the challenging period ahead, the commitment of our workforce and the aim to return Marston's to growth. Basic salaries for 2021/22, for the Executive Directors, were set upon appointment and are detailed in the table below. The increase in Andrew Andrea's salary reflects his change of role from Chief Financial and Corporate Development Officer to Chief Executive Officer, with effect from 3 October 2021, with his new salary being slightly lower than the base salary that would have applied to Ralph Findlay with effect from 1 October 2021.

Name	Base salary 2020/21 £	Base salary 2021/22 £
Andrew Andrea	392,927	602,550
Hayleigh Lupino	N/A	386,250
Ralph Findlay	586,682	N/A

1. The majority of the wider workforce (pub-based employees) have their remuneration set by statute rather than the market.

Benefits

Private medical insurance benefits are unchanged but premiums may vary from year to year.

Retirement benefits

The pension figures shown in the single figure table above represent the cash value of pension contributions received by the Executive Directors. This includes any salary supplement in lieu of a Company pension contribution.

Pension entitlements

The Committee had previously set out its intention to reduce pension contributions/cash in lieu of pension contributions for incumbent Directors to 7%, being the contribution rate available to the majority of employees who participate in the Group Personal Pension Plan (GPPP), not later than the 2023/24 financial period.

The Committee reflected on investor feedback and how the shape of the workforce had changed now that Marston's is a pure pub operator, following completion of the partnership with Carlsberg. Being mindful that the pension scheme available to the majority of the wider workforce is NEST, with a contribution rate set at 3%, the Committee considered and agreed that 3% was a more appropriate rate with which to align Director contribution rates. Accordingly, with effect from 3 October 2021, the employer pension contribution rate for both the CEO and CFO has been set at 3% of salary.



Annual Report on Remuneration continued

For the 2020/21 financial period:

- No contributions were made into the GPPP or the defined contribution scheme, on behalf of Andrew Andrea during the year. For the period ended 2 October 2021, Andrew Andrea received a cash supplement of 18% in lieu of pension contributions.
- Ralph Findlay was previously a member of the defined benefit scheme and has opted to no longer accrue future benefits. For the period ended 2 October 2021, Ralph Findlay received a cash supplement of 18% as a salary supplement in lieu of pension contributions.
- Ralph Findlay accrued benefits in the defined benefit scheme which closed to future accrual in 2014. He elected to draw his defined benefit pension before his normal retirement age, with effect from 9 April 2020. Details are shown in the table below:

	Pension in payment at 02.10.21 £	Pension in payment at 03.10.20 £	Normal retirement age
Ralph Findlay	84,413	83,624	60

During the year, Ralph Findlay's pension in payment increased by £789, in line with the scheme's annual pension increases. On his death, a spouse's pension will be payable equal to 60% of the member's pre-commutation pension.

Variable elements: Annual Bonus and Deferred Bonus Plan

Directors' Remuneration Policy

The Annual Bonus Plan rewards performance against annual targets which support the strategic direction of the Group. Compulsory deferral into shares aligns Executive Directors with shareholder interests and provides a retention element.

The usual maximum annual bonus opportunity is 100% of base salary. At least 50% of the award is based on financial performance measures. The balance of the bonus opportunity is based on financial measures and/or the delivery of strategic/individual objectives. Performance measures are determined each year reflecting the business priorities that underpin Group strategy. The Committee has discretion to vary the bonus payout should any formulaic output not reflect the Committee's assessment of overall business performance or not be appropriate in the context of circumstances that were unexpected or unforeseen at the start of the bonus year. Malus and clawback provisions apply.

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.

2020/21 outturn

Bonuses to Executive Directors, for the period under review, are based on performance against pre-set targets for a combination of financial and strategic targets, with financial targets making up 65% of the maximum award.

As disclosed last year, the Committee reviewed the structure of the annual bonus scheme and, to reflect the uncertainty surrounding the impact of COVID-19 on trading conditions at the time, the current pay-out at threshold of 20% would be retained but on-target performance would result in a 40% pay-out, instead of the normal 50% pay-out.

The targets and actual performance for 2020/21 are set out below.

With the underlying loss before tax of £100.0 million and free cash flow (FCF) for the period of £(61.0) million, the threshold for both of the key financial metrics in the annual bonus scheme were not met. The third financial metric and the We will Grow strategic measures did reach the target performance level, resulting in a formulaic outturn of 24.4%. However, recognising the support received from Government, the impact on employees during the period, and in the context of the wider shareholder experience, management proposed that no bonus should be paid to the Executive Directors, senior management team or to participants in the wider Group bonus scheme.

Performance metric	Weighting	Threshold	Target	Maximum	Actual	% of salary
Underlying Group profit before taxation	25%	£33.41m	£34.1m	£37.64m	£(100.0)m	0%
Free cash flow	30%	£53.5m	£54.6m	£60.28m	£(61.1)m	0%
Successful implementation of the transition period for the Carlsberg partnership	25%	85%	90%	100%	90%	15%
Guest satisfaction scores	10%	78%	80%	84%	77.8%	0%
Cost reduction programme	10%	£2.5m	£3.0m	£4.0m	£3.9m	9.4%
Bonus outturn						24.4%
Bonus awarded						0%



Annual Report on Remuneration continued

2021/22 opportunity

For the 2021/22 annual bonus scheme, no changes in quantum are proposed in respect of the Executive Directors, which will remain at 100% of salary. Despite the continuing uncertainty surrounding the ongoing impact of COVID-19 on current trading conditions, the current pay-out at threshold of 20% will be retained and on-target performance will return to the normal 50% pay-out level.

As discussed in the Annual Statement, the performance measures for the annual bonus have been revised to align with key strategic measures and as a result of the change in the LTIP performance measures.

Strategic pillar	Performance measure	% weighting for 2021/22
We will Grow	EBITDA (financial)	30%
	Free cash flow (financial)	40%
	Performance v Peach (strategic)	10%
We are Guest Obsessed	Guest – Reputation.com (strategic)	10%
We Raise the Bar	Employee Engagement (strategic)	10%

The Directors consider that the annual bonus targets for 2021/22 financial year are commercially sensitive matters as they provide competitors with insight into our business plans and expectations, and therefore they should remain confidential to the Group until the performance period has ended. The Committee will continue to disclose how the bonus pay-out delivered relates to performance against the targets on a retrospective basis.

Any bonus earned in excess of 40% of maximum will be deferred into shares for a period of three years.

Variable elements: Long Term Incentive Plan

Directors' Remuneration Policy

The Long Term Incentive Plan (LTIP) incentivises Executive Directors to deliver against the Group's strategy over the longer term. Long-term performance targets and share-based remuneration support the creation of sustainable shareholder value.

Awards vest dependent on the achievement of performance targets, normally over a three-year performance period. The normal maximum awards size will be up to 150% of base salary in respect of any financial year. Vested awards are normally subject to an additional holding period of two years before being released to participants. The Committee has discretion to vary the formulaic vesting output where it believes the outcome does not reflect the Committee's assessment of overall business performance or is not appropriate in the context of circumstances that were unexpected or unforeseen at the date of grant. Malus and clawback provisions apply.

At its discretion, the Committee may award dividend equivalents to reflect dividends that would have been paid on vested awards under the LTIP from the end of the performance period until the date of release.

Vesting in respect of performance during 2020/21 (2018/19 LTIP award)

LTIP awards granted in 2018/19 were subject to the achievement of the metrics in the following table. Whilst the formal vesting date is in December 2021, the three-year performance period ended on 2 October 2021 and the Committee have reviewed the outturn for each measure. Each of the three performance measures, CROCCE, FCF and relative TSR, failed to meet threshold performance. Therefore, the award lapsed in full.

	Weighting	Base	Threshold at 25%	On-target 50% vesting	Maximum 100% vesting	Actual	Vesting % of max
CROCCE	40%	10.5%	Base +0.25%	Base +0.5%	Base +1.0%	2.7%	0%
FCF	40%	£300m	Base +7.5%	Base +15%	Base +30%	£126.6m	0%
Relative TSR	20%	–	Median	–	Upper quintile	Below median	0%

- FCF is set as a three-year cumulative amount.
- Relative TSR against the FTSE 250 Index (excluding Investment Trusts).

2019/20 awards

The 2019/20 LTIP award was granted in December 2019, prior to the disposal of Marston's Beer Company into the partnership with Carlsberg. Performance targets were set at the time with the assumption that the beer company would remain a part of the Group and contribute to the underlying EPS number. The beer company profit in 2019 equates to a 5.1p contribution to the underlying EPS target. The revised targets and ranges are shown below. The Committee is satisfied that this adjustment maintains the stretch in the original targets and is being made as a result of the partnership with Carlsberg and not to mitigate for the impact of COVID-19 or general market conditions. NCF and relative TSR targets and ranges will remain unchanged.

	Weighting	Threshold at 25%	On-target 50% vesting	Maximum 100% vesting
Underlying EPS	40%	7.7p	8.0p	8.6p
NCF	40%	£100m	£125m	£150m
TSR v FTSE 250 (excluding Investment Trusts)	20%	Median	–	Upper quartile



Annual Report on Remuneration continued

Granted during 2020/21

LTIP awards granted in May 2021 were as follows:

2020/21	Percentage of salary	Number of shares	Face value at grant ¹	% of award vesting at threshold	Performance period	Holding period
Andrew Andrea	125%	510,295	£491,159	25%	Financial periods	Financial periods
Ralph Findlay	125%	761,924	£733,352	25%	2020/21–2022/2023	2023/24–2024/25

1. Calculated using the mid-market share price at date of grant of £0.9625.

Appropriate provisions have been included in the terms of the awards to enable the Committee to adjust the vesting outcome having regard to any windfall gain.

As previously reported in the 2019 Annual Statement, changes were made to the performance measures for the LTIP. The detailed performance metrics and targets that apply to the 2020/21 LTIP award are shown below.

Across all of these measures the Committee retains a broad business performance underpin and more general discretion under the plan rules and the policy, to reduce the vesting outcome if it considers that the formulaic outcome is inappropriate.

	Weighting	Threshold at 25%	On-target 50% vesting	Maximum 100% vesting
Underlying EPS ¹	40%	6.4p	6.9p	7.2p
NCF (Cumulative) ²	40%	£200m	£215m	£240m
TSR v FTSE 250 (excluding Investment Trusts)	20%	Median	–	Upper quartile

1. Underlying EPS excludes income from associates.

2. In order to ensure that performance is assessed on a like for like basis the Committee retains the flexibility to adjust the cumulative NCF targets (up or down) in the event that the contingent payment from Carlsberg UK is materially different to the amount assumed in the 5-year plan.

3. Straight-line vesting applies between threshold, on-target and maximum performance.

2021/22 awards

Recognising the importance of the Leadership Group and their contribution to the 'Back to a billion' plan, participation in the 2021/22 LTIP is being extended to include all members of the Leadership Group.

For the Executive Directors, it is intended that awards under the LTIP in 2021/22 will be granted at the level of 125% of salary. As set out in the Annual Statement, it is proposed to apply the following performance measures and weightings to the plan.

	Weighting	Threshold at 25%	On-target 50% vesting	Maximum 100% vesting
Underlying PBT	40%	£63.65m	£67.0m	£68.67m
NCF (Cumulative)	40%	£125m	£150m	£182m
TSR v FTSE 250 (excluding Investment Trusts)	20%	Median	–	Upper quartile

The Committee has decided to replace underlying EPS with underlying PBT for the 2021/22 LTIP. A pre-tax measure is considered to be a more appropriate measure of profitability for Marston's as this mitigates the risk of EPS volatility

caused by tax losses to be carried forward in future financial periods. This is also considered to be a more relevant metric taking into account the extended participation in the LTIP given the better line of sight for participants. As noted above, in order to ensure that performance is assessed on a like-for-like basis the Committee retains the flexibility to adjust the cumulative NCF targets (up or down) in the event that the contingent payment from Carlsberg UK is materially different to the amount assumed in the 5-year plan.

Non-executive Directors

Directors' Remuneration Policy

Non-executive Directors' fees are usually reviewed every two years and are set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience. Fees are based on the level of fees paid to Non-executive Directors serving on Boards of similar sized UK listed companies and the time commitment and contribution expected for the role. Non-executive Directors receive a basic fee and an additional fee for further duties (for example, chairing a Committee or Senior Independent Director responsibilities or holding the position of Non-executive Director responsible for employee engagement).

Total remuneration (Chair and Non-executive Directors) (audited)

	Base Fee £	Committee Chair £	SID £	2020/21 Total £	2019/20 Total ³ £
Bridget Lea	54,000	–	–	54,000	50,400
Octavia Morley ¹	54,000	7,500	1,250	62,750	41,563
Matthew Roberts	54,000	7,500	–	61,500	57,400
William Rucker	200,000	–	–	200,000	166,667
Past Directors					
Carolyn Bradley ²	45,000	–	6,250	51,250	57,400

1. Octavia Morley was appointed as a Non-executive Director on 1 January 2020, the 2019/20 figures in the table above reflect her remuneration from the date of her appointment. Octavia was appointed as Senior Independent Director (SID) with effect from 1 August 2021.

2. Carolyn Bradley stepped down from the Board on 31 July 2021.

3. In the 2019/20 financial period during the first national lockdown, whilst the Group's entire pub estate remained closed, those employees who were not furloughed were paid 80% of their base salary. The Non-executive Directors volunteered to reduce their base fee to 80% during the period from April 2020 to July 2020 (to £50,400). The Chair voluntarily reduced his base fee by 50% for the same period (to £166,667).



Annual Report on Remuneration continued

Fees

The Chair and other Non-executive Directors fees were last reviewed in October 2020 and it was agreed that an increase was not appropriate at that time. Fees were last increased with effect from 30 September 2018. The Chair's fee and Non-executive Director fee structure were reviewed by the Committee and the Board respectively in October 2021. Taking into account the increased responsibilities and duties placed on each Non-executive Director, the time commitment required, time lapsed since the last change in fees and with regard to market practice, the fees that will apply from 1 October 2021 are set out below.

	2021/22	2020/21
Chair's fee	£206,000	£200,000
Non-executive Director basic fee	£55,500	£54,000
Additional fee for:		
Chairing the Audit Committee	£10,000	£7,500
Chairing the Remuneration Committee	£10,000	£7,500
Senior Independent Director	£10,000	£7,500

The maximum authority for Non-executive Directors' fees (in aggregate), as outlined in our Articles of Association, is £750,000 a year, as approved by shareholders at our 2017 AGM.

Interests in ordinary shares (audited)

The beneficial interests of the Non-executive Directors and their connected persons in the share capital of the Company are shown below:

	As at 02.10.21 (or, if earlier, date of resignation)	As at 03.10.20 (or, if later, date of appointment)
Carolyn Bradley ¹	25,000	25,000
Bridget Lea ²	50,000	50,000
Octavia Morley	25,000	25,000
Matthew Roberts	25,000	25,000
William Rucker	200,000	200,000

1. Carolyn Bradley stepped down from the Board on 31 July 2021. Her interests in ordinary shares are shown as at that date.

2. Bridget Lea advised the Company, in February 2021, of an additional purchase of 25,000 shares that had taken place in June 2020.

Payments to past Directors and payment for loss of office (audited)

Ralph Findlay retired from the Company on 2 October 2021 after more than 25 years' service with the Group. Up to that date, Ralph received his ordinary remuneration, details of which are included in the single total figure of remuneration table on page 64. Ralph also received a payment of £88,002 in lieu of accrued annual leave and gift vouchers with a value of £350 (awarded to retirees with 25 years plus service).

Having regard to his cessation due to retirement and his long service with the Group, the Committee determined that Ralph should be treated as a 'good leaver' for the purposes of his LTIP awards. He has retained these awards, which remain subject to their performance conditions and a pro-rata reduction to reflect the proportion of the performance period for which he remained in service. Following vesting, the awards will remain subject to the originally envisaged two year holding period. Details of the outstanding awards are set out below.

Year in respect of which the award was granted	Number of shares originally subject to award	Maximum number of shares subject to award after pro-rata reduction
2019/20 LTIP	555,620	370,413
2020/21 LTIP	761,924	253,974

As noted on page 66 the 2018/19 LTIP has lapsed in full.

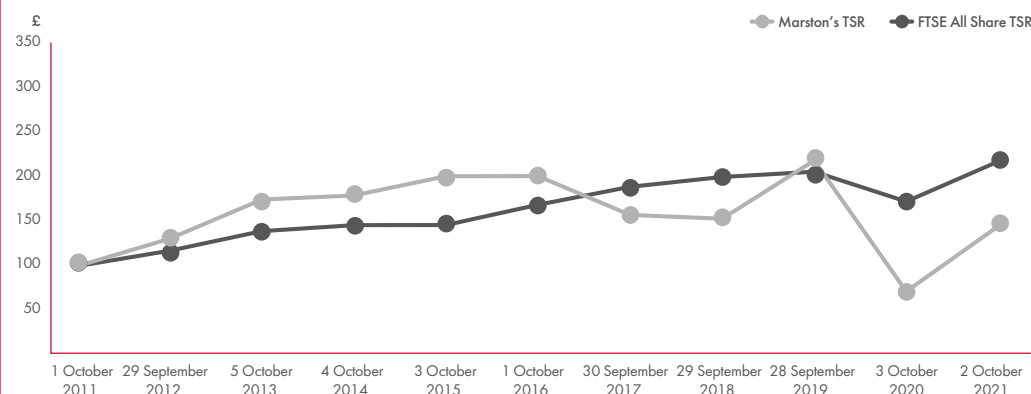
Ralph also retained his SAYE option, which may be exercised in accordance with the rules of the scheme.

The Company will also continue to make a contribution of 50% towards the premium for continuing private medical insurance.

Total shareholder return chart and CEO remuneration

This graph shows the value, at 2 October 2021, of £100 invested in the Company on 1 October 2011 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.

The intermediate points show the value at the intervening financial period ends.





Annual Report on Remuneration continued

The total remuneration of the CEO over the past ten financial periods is shown below. The annual bonus pay-out and LTIP vesting level as a percentage of the maximum opportunity is also shown.

	Total remuneration £	Annual bonus (% of maximum)	LTIP vesting (% of maximum)
2020/21	711,612	0%	0%
2019/20	592,423	0%	0%
2018/19	722,432	0%	0% ¹
2017/18	807,665	17.7%	0%
2016/17	803,303	20%	0%
2015/16	1,008,320	40%	21%
2014/15	876,788	40%	0%
2013/14	1,121,294	25%	41.9%
2012/13	937,312	0%	44.2%
2011/12	815,690	40%	0%

1. The performance conditions were achieved at a level such that 11.2% of the 2016/17 LTIP would have vested. However, the Executive Directors waived their rights to this award.

Change in remuneration of Directors and employee pay

The table below shows how each Director's remuneration has changed between the periods ended 2 October 2021 and 3 October 2020 and for the 2019 period end. This is then compared to the wider workforce. It was agreed that all employees of the Group should be included in the comparison. Marston's PLC does not have any direct employees as all employees within the Group are employed by a wholly owned subsidiary company, Marston's Trading Limited.

		Wider workforce	Ralph Findlay	Andrew Andrea	William Rucker	Bridget Lea	Octavia Morley	Matthew Roberts
Salary/fees ¹	2020/21 and 2019/20	2.9%	2%	2%	No change	No change	No change	No change
	2019/20 and 2018/19	6.4%	2%	2%	No change	No change	No change	No change
Taxable benefits	2020/21 and 2019/20	See note 2	5.8% ³	5.8% ³	N/A	N/A	N/A	N/A
	2019/20 and 2018/19	See note 2	4.1%	(6.3%)	N/A	N/A	N/A	N/A
Annual bonus ⁴	2020/21 and 2019/20	See note 4	N/A ⁵	N/A ⁵	N/A	N/A	N/A	N/A
	2019/20 and 2018/19	See note 4	N/A	N/A	N/A	N/A	N/A	N/A

Notes

- Salary/fee reviews for the Executive Directors, Non-executive Directors, and salaried workforce are effective 1 October. However, whilst Marston's accounting reference date is 30 September, the Group reports on a 52 week basis and, therefore, the period end date changes from year to year. The year-on-year comparisons in the table above are based on the salaries/fees applying with effect from 1 October. Average employee change to salary is calculated by reference to the mean of employee pay. The majority of pub-based employees have their remuneration set by statute rather than the market.
- No changes to benefit policy. Premiums for private medical insurance may vary from year to year. Eligibility to receive the individual benefits under the policy may be determined by an employee's role or length of service, where applicable.
- During the 2019/20 period, during the first national lockdown, those employees who continued to work were asked to accept a 20% voluntary reduction in their salary during the period from April to July 2020, with normal salaries paid from August 2020. The car allowance element of the benefits policy was subject to the 20% voluntary reduction during the same period. The increase in the Executive Directors' benefits from 2019/20 to 2020/21 therefore reflects the ending of this reduction.
- No bonuses were payable in respect of 2020/21, or the prior period, based on Group performance. Bonuses and other discretionary payments were earned by a number of employees, within the wider workforce, during the prior period; details of which are set out on pages 59 to 60 of the 2020 Annual Report and Accounts.
- No bonuses were earned by the Executive Directors in 2020/21 or the prior period.



Annual Report on Remuneration continued

CEO pay ratio

This is the second year in which we are required to disclose the ratio of our CEO's pay to the full-time equivalent remuneration of our UK employees whose remuneration was ranked at the 25th percentile, median (50th percentile) and 75th percentile.

The table below shows how the CEO's single total figure of remuneration compares with the equivalent figures for UK employees.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020/21	Option B	47:1	44:1	43:1
2019/20 (based on contractual salary and benefits)	Option B	48:1	45:1	41:1
2019/20 (reflecting voluntary reduction in salary and benefits)	Option B	40:1	37:1	34:1

We have chosen Option B which uses the hourly rate data from the most recent Gender Pay Gap reporting. This represents the most efficient and robust method to determine the respective pay ratios. To ensure year-on-year methodology and reporting is consistent, we have removed any variances in the total remuneration package for employees sitting at each of the percentiles as, for example, not all employees contribute to a pension scheme or receive a bonus. The Company considers the median pay ratio is consistent with the Group's wider policies on employee pay, reward and progression. Comparing the 2019/20 pay ratio and 2020/21 pay ratio on a like-for-like basis, i.e. ignoring the voluntary reduction in salary and benefits, the pay ratios at each quartile are broadly consistent with each other, this is due to the nil vesting of variable incentive arrangements for the CEO in both financial years. In order to determine the full-time equivalent salary component for the representative employees, the hourly rate was multiplied by 35 hours to calculate the full-time equivalent salary. The calculations for the relevant representative employees were performed as at 5 April 2021. Sensitivity analysis was performed around the 25th, median and 75th percentile employees to ensure that they were reasonably representative.

The table below shows the UK employee percentile pay and benefits used to determine the above pay ratios and the salary component for each figure. The CEO remuneration is the single figure of total remuneration for the year ended 2 October 2021 as disclosed on page 64. Two sets of pay ratios are included in the table above for 2019/20, reflecting Ralph Findlay's voluntary reduction in salary and benefits during the period from April to July 2020 and his contractual salary and benefits for 2019/20. A substantial proportion of the CEO's total remuneration is performance-related and delivered in shares. The ratios will therefore depend significantly on the CEO's annual bonus and long-term incentive outcomes and may fluctuate year-on-year.

Component	CEO £	25th percentile £	50th percentile £	75th percentile £
Base salary	586,682	15,215	16,216	16,544
Total remuneration	711,612	15,215	16,216	16,544

Relative importance of spend on pay

The table below demonstrates the relative importance of the Group's expenditure on total employee pay compared to dividend payments to shareholders.

	2020/21	2019/20	% change
Dividend payments ¹	£0m	£30.4m	(100)%
Total employee pay ²	£186.7m	£229.5m	(18.6)%

1. No distributions by way of share buybacks were made to shareholders during the 2020/21 or 2019/20 financial years.

2. Excluding non-underlying items.

External appointments for Executive Directors

Executive Directors are permitted to take up external appointments, subject to approval by the Board, and are allowed to retain any fees received.

Ralph Findlay is the Senior Independent Director of Vistry Group PLC and during the year he received fees of £78,183. Andrew Andrea is a Non-executive Director of Portmeirion Group Plc and during the year he received fees of £35,738.

Shareholder voting

The following table sets out actual voting outcomes in respect of the Annual Report on Remuneration resolution at the Annual General Meeting (AGM) held on 27 January 2021 and the Directors' Remuneration Policy resolution at the AGM held on 24 January 2020.

	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approval of the Annual Report on Remuneration (27 January 2021)	70,200,064	86.35%	11,097,024	13.65%	1,227,598
Approval of the Directors' Remuneration Policy (24 January 2020)	89,792,873	86.05%	14,551,016	13.95%	131,691



Annual Report on Remuneration continued

Supplementary schedules

Shareholding guidelines

In order to further align the interests of Executive Directors with those of shareholders, the Committee applies shareholding guidelines. These guidelines provide that each Executive Director is required to hold shares with a value equal to two times salary. To achieve these holdings Directors are required to retain any vested shares from the LTIP, net of tax, until the guidelines are satisfied. Shares subject to vested LTIP awards which are in a holding period count towards this guideline (on a net of assumed tax basis).

Post-employment shareholding requirement

Executive Directors are required to retain in their first year post-employment such number of their 'relevant shares' as they held at the date of cessation of employment, up to a maximum of the number of shares they were required to hold during employment (for current Executive Directors, two times salary). In their second year post-employment they are required to retain such number of their 'relevant shares' up to a maximum of 50% of the shares they were required to hold during employment (for current Executive Directors, one times salary). For these purposes, 'relevant shares' exclude any shares purchased by the Executive Director or acquired as a result of a share plan award granted in respect of a financial year before 2019/20.

Executive Directors' interests in share options as at 2 October 2021

		Grant date ¹	Brought forward 04.10.20	Granted	Exercised/ vested	Cancelled/ lapsed	Carried forward 02.10.21	Exercise price £	Vesting date	Release date	
Andrew Andrea	LTIP	2017	382,500		–	382,500	0		2020	N/A	
		2018 ²	473,033	–	–	–	473,033		2021	2023	
		2019 ³	372,124	–	–	–	372,124		2022	2024	
		May 2021	–	510,295	–	–	510,295		2023	2025	
Ralph Findlay	SAYE	2018	20,224	–	–	–	20,224	0.89	2021	N/A	
		LTIP	2017	571,115	–	–	571,115	0		2020	2022
			2018 ²	706,287	–	–	–	706,287		2021	2023
			2019 ³	555,620	–	–	–	555,620		2022	2024
		May 2021	–	761,924	–	–	761,924		2023	2025	

1. Awards granted annually in December, unless otherwise stated.

2. The performance conditions applying to the 2018/19 LTIP are set out on page 67 of the 2019 Directors' Remuneration Report.

3. The performance conditions applying to the 2019/20 LTIP are set out on page 67 of the 2020 Directors' Remuneration Report.

There have been no changes to the Directors' share interests and interests in share options between 2 October 2021 and 28 November 2021 (being the latest practical date prior to the date of this report).

Directors' share interests (audited)

As at 2 October 2021, Andrew Andrea held shares worth 120% of base salary and Ralph Findlay held in excess of 200% of base salary in shares.

Executive Directors' share interests as at 2 October 2021

	Shares owned outright		Share options		Target % of salary	Actual % of salary holding
	At 02.10.21	At 03.10.20	Not subject to performance	Subject to performance		
Andrew Andrea	352,773	332,773	0	1,355,452	200%	120%
Ralph Findlay	1,314,475	1,290,475	20,224	2,023,831	200%	313%

In assessing the extent to which the guidelines are satisfied, shares are valued at the end of the relevant financial year. Once the required holding has been achieved, any change in the share price is disregarded when assessing the value attributed to shares already held.



Annual Report on Remuneration continued

Service contracts

During the period, Executive Directors' contracts were reviewed and a new contract agreed. Both Andrew Andrea and Hayleigh Lupino were appointed on the new contract. Executive Directors' contracts are on a rolling 12-month basis and are subject to nine months' notice when terminated by either party.

The current Non-executive Directors, including the Chair, 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 a letter of appointment and their appointment and subsequent re-appointment is subject to annual approval by shareholders.

Name	Commencement date	Unexpired term remaining as at 2 October 2021
Andrew Andrea ¹	3 October 2021	Terminable on nine months' notice
Hayleigh Lupino ²	3 October 2021	Terminable on nine months' notice
William Rucker	1 October 2018	Fixed term expiring on 30 September 2024 (subject to renewal) and terminable on six months' notice
Octavia Morley	1 January 2020	Fixed term expiring on 31 December 2022 (subject to renewal) and terminable on one month's notice
Bridget Lea	1 September 2019	Fixed term expiring on 31 August 2022 (subject to renewal) and terminable on one month's notice
Matthew Roberts	1 March 2017	Fixed term expiring on 28 February 2023 (subject to renewal) and terminable on one month's notice

1. Andrew Andrea's previous appointment as Chief Financial Officer commenced on 31 March 2009. His appointment as Chief Executive Officer commenced on 3 October 2021.

2. Hayleigh Lupino's appointment as Chief Financial Officer commenced on 3 October 2021.

Further details on current serving Directors' service contracts and letters of appointment are available at www.marstonpubs.co.uk in the Investors section.

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

Octavia Morley

Chair of the Remuneration Committee

30 November 2021



Directors' Report

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 Chair's Statement on page 5, to the Statement of Directors' Responsibilities on page 75, 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 2 to 45, which is incorporated in this report by reference.

Corporate Governance Statement

The Corporate Governance Statement, as required by the Financial Conduct Authority's Disclosure Guidance and Transparency Rules (DTR) 7.2.1, is set out on page 47 and is incorporated into this report by reference.

Dividends

Due to the significant disruption to trading, caused by the COVID-19 global pandemic, no dividend payments are planned in respect of the 2020/21 financial year. The Group continues to review the timing of the resumption of dividend payments in earnest.

Directors

Biographies of the Directors currently serving on the Board are set out on pages 48 and 49. Changes to the Board during the period are set out in the Corporate Governance Report starting on page 47. Details of Directors' service contracts are set out in the Directors' Remuneration Report on page 72 and their shareholdings are set out on page 71.

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. In accordance with the requirements of the UK Corporate Governance Code, all Directors will offer themselves for re-election at the AGM on 25 January 2022.

Directors' shareholdings

The interests of Directors and their connected persons in the shares of the Company are set out on page 71 of the Directors' Remuneration Report.

Directors' indemnities and insurance

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 2 October 2021 and as at the date of the report. There are no indemnities in place for the benefit of the external Auditor.

Directors' powers

Under the Articles of Association, the Directors have authority to allot ordinary shares subject to the aggregate set at the 2021 Annual General Meeting (AGM). The Company was also given authority at its 2021 AGM to make market purchases of ordinary shares up to a maximum number of 63,404,927 shares. Similar authority will again be sought from shareholders at the 2022 AGM. The powers of the Directors are further described in the Corporate Governance Report on pages 47 to 56.

Share capital and shareholder voting rights

Details of the Company's issued share capital and of the movements during the period are shown in note 28 in the financial statements on page 124. 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 5 to the financial statements on pages 102. 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.

Ordinary shares of 7.375 pence each

Shareholder	As at 2 October 2021 Voting rights	% of voting rights	Nature of interest
Nortrust Nominees Ltd	9,859,977	5.27%	Indirect
Dimensional Fund Advisors LLP	9,339,455	4.98%	Indirect
The Capital Group Companies, Inc	9,291,379	4.96%	Indirect
Standard Life Aberdeen plc	9,228,860	4.93%	Indirect
Brewin Dolphin	8,392,338	4.93%	Indirect
Royal London Asset Management Limited	6,794,023	3.99%	Direct

Significant shareholders

Notifications of the following voting interests in the Company's ordinary share capital have 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.

Subsequent to the year-end, Nortrust Nominees Limited has disclosed information in accordance with DTR5 on 19 October 2021, disclosing an indirect interest over 9,859,977 voting rights (5.27%).

No further notifications have been received by the Company between 2 October 2021 and 28 November 2021 (being the latest practical date prior to the date of this report).



Directors' Report continued

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 Limited	31,548	42.06%
Mrs HM Medlock	10,407	13.88%
George Mary Allison Limited	5,500	7.33%
Rulegale Nominees Limited	4,550	6.07%
Mr PF and Dr K Knowles	4,356	5.81%
Mr N Aston and Mr TA Southall	2,855	3.81%
CGWL Nominees Limited	2,805	3.74%
Mrs H Michels	2,750	3.67%
Mr R Somerville	2,750	3.67%

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.

Employee information

The average number of employees within the Group is shown in note 5 to the financial statements on page 102.

Marston's is a responsible employer committed to building a diverse culture where our teams and guests feel welcome, supported and included for who they are. We aim to ensure this commitment is reflected in how we attract talent, how we nurture and develop people internally, and how we ensure our guests have

the best experience. We do not discriminate in any way, ensuring that training, career development and promotion opportunities are available to all employees irrespective of gender, race, age or disability.

We are committed to keeping employees up to date on business performance and our strategy, helping them to understand the part they can play in building a successful business. This ensures our people are both engaged and enabled, having both the desire and the ability to make a difference. We do this in a variety of ways through centralised communications, as well as leader and manager-led engagement.

Human rights

Marston's is committed to respecting and upholding human rights, as expressed in the United Nations Universal Declaration of Human Rights, within our business and also within our supply chain. Our Ways of Working are aligned with our belief of, and commitment to, the Declaration of Human Rights. Our Human Rights policy is available at www.marstonspubs.co.uk/responsibility

Modern Slavery Statement

Our Modern Slavery Act disclosure is available on our website www.marstonspubs.co.uk/responsibility and more details can be found on page 40.

Research and development

Our category and insights team work with external data providers including CGA for on-trade sales and market data; IRI for on-trade data; as well as the BBPA, Kantar and IGD. We undertake in-house consumer research as well as guest satisfaction studies.

Greenhouse gas emissions, energy consumption and energy efficient action

One of our key priorities is to reduce our environmental impact. We recognise the importance of this to the long-term profitability of the business and operating a high quality estate. Many of the environmental initiatives we adopt reduce our environmental impact as well as saving expenditure on energy and utilities. More details on how we are reducing our environmental impact can be found on pages 41 and 42 in our Strategic Report.

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 25 to the financial statements on pages 116 to 120.

Auditor

KPMG LLP have indicated their willingness to continue as Auditor and their re-appointment has been approved by the Audit Committee. Resolutions to re-appoint them and to authorise the Audit Committee to determine their remuneration will be proposed at the 2022 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 18 to 21. Further details are set out in the financial statements on pages 85 to 137. In addition, note 25 to the financial statements on pages 116 to 120 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 25.

Accordingly, the financial statements set out on pages 85 to 127 and 128 to 137 have been prepared on the going concern basis.

Annual General Meeting

The AGM of the Company will be held on 25 January 2022 at The Farmhouse at Muckworth, 60 Ashbourne Road, Derby DE22 4LY. Shareholders are encouraged to submit their proxy voting instructions and any questions in advance of the meeting. Further details can be found in the notice convening the meeting. The notice, 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 in the shareholder section of our website at www.marstonspubs.co.uk/investors where a copy can be viewed and downloaded.

By order of the Board

Anne-Marie Brennan
Group Secretary

30 November 2021
Company registration number: 31461



Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. In addition the Group financial statements are required under the UK Disclosure Guidance and Transparency Rules to be prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- and use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

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

Responsibility statement of the Directors

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report/Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider 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 position and performance, business model and strategy.

Disclosure of information to Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Andrew Andrea
Chief Executive Officer

Hayleigh Lupino
Chief Financial Officer

30 November 2021

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Independent Auditor's report to the members of Marston's PLC



Independent auditor's report to the members of Marston's PLC

1. Our opinion is unmodified

We have audited the financial statements of Marston's PLC ("the Company") for the 52 week period ended 2 October 2021 which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Cash Flow Statement, Group Balance Sheet, Group Statement of Changes in Equity, Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1 to both the Group and parent Company financial statements.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 2 October 2021 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 24 January 2020. The period of total uninterrupted engagement is for the two financial years ended 2 October 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£9.0million (2020: £10.0million) 0.4% (2020: 0.4%) of total assets
Coverage	100% (2020: 100%) of Group total assets
Key audit matters	vs 2020
Recurring risks	
Going Concern	◀▶
Valuation of the estate	◀▶
Valuation of the derivative financial instruments	◀▶
Event driven	
New: Accounting for the disposal of the brewing business	▲



Independent Auditor's report to the members of Marston's PLC continued

2. Material uncertainty related to going concern

	The risk	Our response
<p>Going Concern</p> <p>We draw attention to note 1 to the financial statements which indicates that the Group's and the parent Company's ability to continue as a going concern is dependent on the ability to achieve further covenant waivers or amendments if required.</p> <p>These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the parent Company's ability to continue as a going concern.</p> <p>Our opinion is not modified in respect of this matter.</p>	<p>Disclosure quality</p> <p>There is judgement involved in the Directors' conclusion that risks and circumstances described in note 1 to the financial statements represent a material uncertainty over the ability of the Group and the parent Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements.</p> <p>Clear and full disclosure of the facts and the Directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.</p>	<p>Our procedures included:</p> <p>We assessed the completeness and accuracy of the matters covered in the going concern disclosure by:</p> <ul style="list-style-type: none"> • Evaluating how the Group's risk assessment process identifies business risks relating to events and conditions that may cast significant doubt on the ability of the Group and of the parent Company to continue as a going concern; • Evaluating the cash flow forecast models the Group used in its assessment and evaluating how the information system captures events and conditions that may cast significant doubt on ability to continue as a going concern; • Evaluating whether the Group's assessment has failed to identify all the events or conditions that may cast significant doubt on going concern and whether the method used by the Group is appropriate; • Assessing the reasonableness of the Group's budgets/forecasts and evaluating whether key assumptions used in its forecasts are within a reasonable range, and assessing the plausible but severe downside scenario, particularly whether this downside scenario reflects plausible impacts of COVID-19 on the business; • Evaluating whether sufficient and appropriate audit evidence has been obtained to conclude whether a material uncertainty exists and the appropriateness of the Directors' use of the going concern basis of accounting; • Evaluating whether there is adequate support for the assumptions underlying the Directors' assessment, including mitigations, whether they are realistic and achievable and consistent with the external and/or internal environment and other matters identified in the audit; • Assessing the forecast cash position and the available committed facilities to understand the financial resources available to the Group during the forecast period; and • Evaluating the Directors' assessment of the Group's ability to comply with its covenants during the forecast period. <p>Our results</p> <ul style="list-style-type: none"> • We found the disclosure of the material uncertainty to be acceptable.



Independent Auditor's report to the members of Marston's PLC continued

3. Other key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 of our report. We summarise below the other key audit matters, in decreasing

order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
<p>Valuation of the estate</p> <p>(Group – £1,529.9 million; 2020: £1,625.5 million Downwards revaluation: £100.5 million; 2020: £234.9 million)</p> <p>(Parent company – £172.0 million; 2020: £266.1 million Revaluation: £23.1; 2020: £47.3 million)</p> <p>Refer to page 58 Audit Committee Report, page 95 accounting policy, and pages 107 to 110 financial disclosures</p>	<p>Subjective Valuation:</p> <p>The valuation of the Group's and the parent Company's estate, specifically the freehold land and buildings and 'effective freehold' leasehold properties held at fair value is a key area of estimation.</p> <p>The valuation involves the determination of estimates, most noticeably the fair maintainable trade (FMT) and applicable trading multiples.</p> <p>These estimations are inherently subjective and small changes in the assumptions used to value the Group's and the parent Company's estate could have a significant effect on the strength of the Group's and parent Company's balance sheet which we consider is a fraud risk.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that valuation of the estate has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 11) disclose the range estimated by the Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Assessing valuation approach: We met with the Group's external valuers to understand the assumptions and methodologies used in valuing the properties and the market evidence used by the external valuers to support their assumptions. We also obtained an understanding of Directors' involvement in the valuation process to assess whether appropriate oversight has occurred; • Assessing valuer's credentials: We critically assessed the independence, professional qualifications, competence, and experience of the external valuers engaged by the Group; • Assessing triggers for impairment: We assessed the appropriateness and completeness of impairment triggers identified; • Benchmarking assumptions: We challenged the key assumptions, with the assistance of our KPMG valuation specialists, being the applicable trading multiples and fair maintainable trade, for a sample of properties by making a comparison to market comparable data; • Assessing inputs: We checked observable inputs used for a sample of assets in the valuation to source documentation; • Assessing outputs: We evaluated and challenged the output of the valuations, through the identification of higher risk assets through comparison to market and prior period information; and • Assessing disclosures: We critically assessed the adequacy of the Group's disclosures in relation to the valuation of the estate. <p>Our results</p> <ul style="list-style-type: none"> • We found the valuation of the estate to be acceptable.



Independent Auditor's report to the members of Marston's PLC continued

3. Other key audit matters: including our assessment of risks of material misstatement (continued)

	The risk	Our response
<p>Valuation of financial instruments</p> <p>(£170.5 million; 2020: £222.4 million)</p> <p>Refer to page 58 Audit Committee Report, page 97 accounting policy and page 116 to 120 financial disclosures.</p>	<p>Subjective Valuation:</p> <p>The Group uses interest rate swaps to manage exposure to interest rate risk. The valuation of these instruments is subjective and requires significant estimation, particularly in relation to the determination of the credit risk adjustment.</p> <p>The level 2 fair value of the interest rate swaps is volatile and small changes in the inputs used for the valuation, notably the discount rate and credit risk adjustment, could have a significant effect on the Group's Income Statement.</p> <p>The effect of these matters is that, as part of our risk assessment, we determined that the valuation of financial instruments has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 25) disclose the sensitivity estimated by the Group.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Third party confirmations: We obtained third party confirmations for the market value of the interest rate swaps; • Specialist valuation assessments: We independently valued the interest rate swaps, utilising our own KPMG valuation specialists, including the valuation of the credit risk adjustment required; and • Assessing disclosures: We critically assessed the adequacy of the Group's disclosures in relation to the valuation of financial instruments. <p>Our results</p> <ul style="list-style-type: none"> • We found the valuation of financial instruments to be acceptable.
<p>Accounting for the disposal of the brewing business</p> <p>(Profit on disposal of subsidiary: £290.5 million; 2020: £nil)</p> <p>Refer to page 58 Audit Committee Report, page 93 accounting policy and page 104 to 105 financial disclosures.</p>	<p>Accounting treatment:</p> <p>The disposal of the brewing business is a material transaction outside of the normal course of business with a related party which are indicators of significant risk. Such transactions have a higher risk of fraud and error in that they may not be at arms' length and it may not be correctly accounted for due to its unusual nature.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Evaluating accounting treatment: We evaluated the accounting treatment for the disposal group held for sale in line with the requirements of the relevant accounting standards; • Valuation assessment: We assessed management's calculation of fair value of the contingent consideration using our own KPMG valuation specialists and agreed the book value of the assets transferred to underlying account records; • Evaluating transaction terms: We evaluated the terms of the transaction to assess its accounting treatment; • Assessing disclosures: We critically assessed the adequacy of the Group's disclosures in respect of the disposal; and • Evaluating directors intent: We assessed the purpose of the transaction as well as the arms' length nature of trade post transaction through inspection of trade agreements. <p>Our results</p> <ul style="list-style-type: none"> • We found the accounting and disclosure of the disposal to be acceptable.

In the prior year we reported a key audit matter in respect of the impact of uncertainties due to the UK exiting the European Union. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments, such as going concern and impairment tests, however we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

In the prior year we also reported a key audit matter in respect of the carrying amount of goodwill in relation to the Pubs and Bars cash generating unit. However this balance was fully impaired in the prior year and, therefore it is not identified as a key audit matter in our report this year.

We performed the detailed tests above for each key audit matter rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.



Independent Auditor's report to the members of Marston's PLC continued

4. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £9.0 million (2020: £10 million), determined with reference to a benchmark of Group total assets (of which it represents 0.4% (2020: 0.4%)).

In addition, we applied materiality of £3.3 million (2020: £3.4 million), to specific Group income statement items which may be of specific interest to users and that could reasonably be expected to influence the Company's members' assessment of the financial performance of the Group. These items comprise revenue, raw materials and employee costs. Materiality for these items was determined with reference to underlying profit before tax from continuing operations, normalised by averaging over the last four years due to volatility in the results as a consequence of COVID-19.

We consider total assets to be the most appropriate benchmark given the majority of total asset value is in the pub estate and these assets act as security for the Group's securitised borrowings, and will therefore be a focus of users of the accounts.

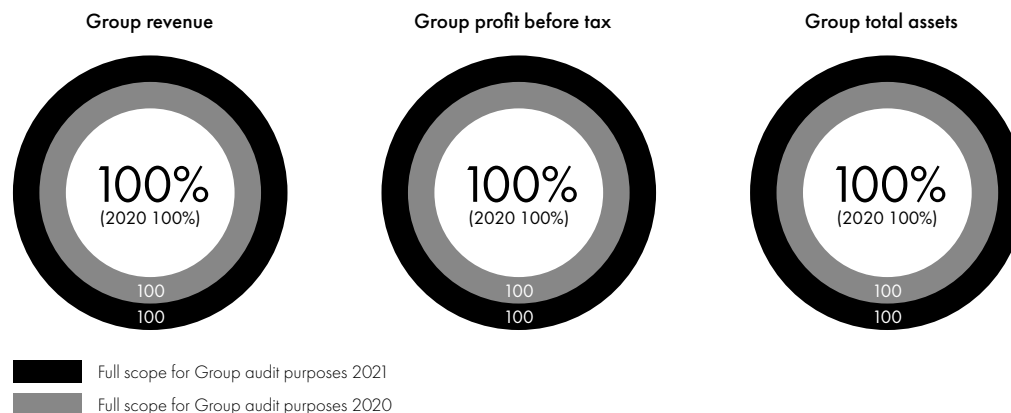
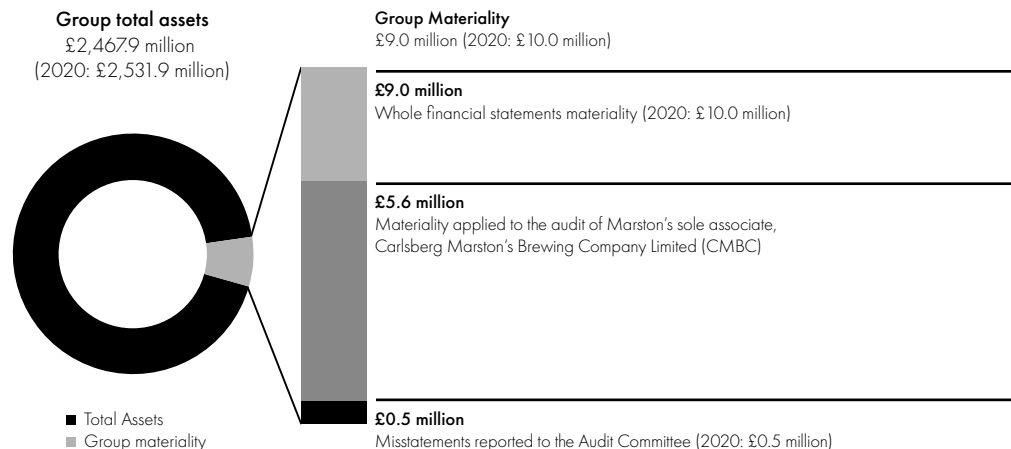
Materiality for the parent Company financial statements as a whole was set at £8.0 million (2020: £8.3 million), determined with reference to a benchmark of parent Company total assets, (of which it represents 0.5% (2020: 0.6%)).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole. Performance materiality was set at 75% (2020 : 75%) of materiality for the financial statements as a whole, which equates to £6.8 million (2020 : £7.5 million) for the Group and £6 million (2020 : £6.2 million) for the parent Company. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5 million (2020: £0.5 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

We subjected the Group's only associate to a full scope audit as we determined it was financially significant. Materiality was set at £5.6 million based on its relative size adjusting for Marston's 40% share in the business.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality and performance materiality level set out above.





Independent Auditor's report to the members of Marston's PLC continued

5. Going concern basis of preparation

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic for at least a year from the date of approval of the financial statements ("the going concern period"). As stated in section 2 of our report, they have also concluded that there is a material uncertainty related to going concern.

An explanation of how we evaluated management's assessment of going concern is set out in section 2 of our report.

Our conclusions based on this work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting, and their identification therein of a material uncertainty over the Group and Company's ability to continue to use that basis for the going concern period; and
- The related statement under the Listing Rules set out on page 47 is materially consistent with the financial statements and our audit knowledge.

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors, the Audit Committee, internal audit and inspection of policy documentation as to the Group's/Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's/Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board, Audit Committee and remuneration committee minutes.
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Considering the existence of any significant unusual transactions.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

6. Fraud and breaches of laws and regulations – ability to detect (continued)

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of the estate, valuation of derivatives and pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because Group revenue is generated mainly from retail through the operation of pubs. Retail revenue contains no significant judgements, and is comprised of a large number of small simple transactions that are received in cash or credit card receivables at the point of sale. Therefore, there is limited opportunity for management manipulation or to fraudulently post the volume of transactions that would be required to have a material impact on revenue.

We also identified a fraud risk related to the disposal of the brewing business given it is a significant unusual transaction with a related party. Further detail in respect of this area is set out in the key audit matter disclosures in section 3 of this report.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness the design of some of the Group-wide fraud risk management controls (Audit Committee report on page 57).

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries made to unusual accounts related to revenue, cash and loans and borrowings.
- Evaluated the business purpose of significant unusual transactions.

We discussed with the Audit Committee, other matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards) and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.



Independent Auditor's report to the members of Marston's PLC continued

6. Fraud and breaches of laws and regulations – ability to detect (continued)

Firstly, the Group is subject to laws and regulations that directly affect the financial statements, including financial reporting legislation (including related companies legislation), distributable profits and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: the Pubs Code, health and safety, anti-bribery, employment law, regulatory capital and liquidity, and certain aspects of company legislation recognising the nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

We discussed with the Audit Committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

7. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

7. We have nothing to report on the other information in the Annual Report (continued)

Strategic report and Directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration report

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

Disclosures of emerging and principal risks and longer-term viability

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, other than the material uncertainty related to going concern referred to above, we have nothing further material to add or draw attention to in relation to:

- the Directors' confirmation within Viability statement (page 31) that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks, and how emerging risks are identified, and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue 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 are also required to review the Viability Statement set out on page 31 under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.



Independent Auditor's report to the members of Marston's PLC continued

7. We have nothing to report on the other information in the Annual Report (continued)

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the Directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 75, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Leech (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

One Snowhill
Snow Hill Queensway Birmingham
B4 6GH

30 November 2021



Group Income Statement

For the 52 weeks ended 2 October 2021

	Note	2021			2020		
		Underlying £m	Non- underlying (note 4) £m	Total £m	Underlying £m	Non- underlying (note 4) £m	Total £m
Continuing operations							
Revenue	3	401.7	–	401.7	515.5	–	515.5
Operating expenses	3	(396.0)	(96.2)	(492.2)	(458.8)	(342.2)	(801.0)
Loss from associates	12	(14.5)	–	(14.5)	–	–	–
Operating (loss)/profit	4	(8.8)	(96.2)	(105.0)	56.7	(342.2)	(285.5)
Finance costs	6	(93.4)	(2.0)	(95.4)	(96.1)	(2.7)	(98.8)
Finance income	6	0.9	–	0.9	1.0	1.0	2.0
Interest rate swap movements	4, 6	–	8.4	8.4	–	(6.4)	(6.4)
Contingent consideration fair value movement	4, 6	–	20.0	20.0	–	–	–
Net finance costs	4, 6	(92.5)	26.4	(66.1)	(95.1)	(8.1)	(103.2)
Loss before taxation		(101.3)	(69.8)	(171.1)	(38.4)	(350.3)	(388.7)
Taxation	4, 7	15.1	27.7	42.8	14.6	25.6	40.2
Loss for the period from continuing operations		(86.2)	(42.1)	(128.3)	(23.8)	(324.7)	(348.5)
Discontinued operations							
Profit/(loss) for the period from discontinued operations	8	1.7	289.4	291.1	13.3	(24.4)	(11.1)
(Loss)/profit for the period attributable to equity shareholders		(84.5)	247.3	162.8	(10.5)	(349.1)	(359.6)

The results for the current period reflect the 52 weeks ended 2 October 2021 and the results for the prior period reflect the 53 weeks ended 3 October 2020.

	Note	2021 p	2020 p
Earnings/(loss) per share:			
Basic earnings/(loss) per share	9		
Total		25.7	(56.8)
Continuing		(20.3)	(55.1)
Discontinued		46.0	(1.8)
Basic underlying (loss)/earnings per share	9		
Total		(13.4)	(1.7)
Continuing		(13.6)	(3.8)
Discontinued		0.3	2.1
Diluted earnings/(loss) per share	9		
Total		25.7	(56.8)
Continuing		(20.3)	(55.1)
Discontinued		46.0	(1.8)
Diluted underlying (loss)/earnings per share	9		
Total		(13.4)	(1.7)
Continuing		(13.6)	(3.8)
Discontinued		0.3	2.1



Group Statement of Comprehensive Income

For the 52 weeks ended 2 October 2021

	2021 £m	2020 £m
Profit/(loss) for the period	162.8	(359.6)
Items of other comprehensive income that may subsequently be reclassified to profit or loss		
Gains/(losses) arising on cash flow hedges	5.9	(3.8)
Transfers to the income statement on cash flow hedges	19.7	21.3
Tax on items that may subsequently be reclassified to profit or loss	1.7	(0.3)
	27.3	17.2
Items of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	17.5	(6.5)
Unrealised surplus on revaluation of properties	59.1	-
Reversal of past revaluation surplus	(105.0)	(151.2)
Tax on items that will not be reclassified to profit or loss	(12.3)	17.7
	(40.7)	(140.0)
Other comprehensive expense for the period	(13.4)	(122.8)
Total comprehensive income/(expense) for the period attributable to equity shareholders	149.4	(482.4)

Other comprehensive expense for the current and prior period relates wholly to continuing operations.

The results for the current period reflect the 52 weeks ended 2 October 2021 and the results for the prior period reflect the 53 weeks ended 3 October 2020.



Group Cash Flow Statement

For the 52 weeks ended 2 October 2021

	Note	2021 £m	2020 (Restated) £m
Operating activities			
Profit/(loss) for the period		162.8	(359.6)
Taxation		(43.5)	(37.5)
Net finance costs		66.2	104.1
Depreciation and amortisation		42.7	51.6
Gain on disposal of subsidiary		(290.5)	–
Working capital movement	31	(6.4)	71.9
Non-cash movements	31	100.6	334.1
Increase in provisions and other non-current liabilities		2.3	1.0
Difference between defined benefit pension contributions paid and amounts charged		(7.0)	(73)
Income tax received/(paid)		7.5	(1.8)
Net cash inflow from operating activities		34.7	156.5
Investing activities			
Interest received		0.5	1.5
Sale of property, plant and equipment and assets held for sale		16.2	74.9
Purchase of property, plant and equipment and intangible assets		(46.6)	(63.7)
Disposal of subsidiary	8	228.0	–
Movement in trade loans		0.1	1.2
Finance lease capital repayments received		1.2	1.5
Net transfer to other cash deposits	30	(1.2)	–
Net cash inflow from investing activities		198.2	15.4
Financing activities			
Equity dividends paid	32	–	(30.4)
Interest paid		(96.3)	(91.0)
Swap termination costs		(19.9)	–
Proceeds from sale of own shares		0.1	–
Repayment of securitised debt		(35.4)	(33.4)
Repayment of bank borrowings		(80.1)	(60.7)
Capital element of lease liabilities repaid		(19.8)	(8.3)
Advance of other borrowings		10.0	55.0
Net cash outflow from financing activities		(241.4)	(168.8)
Net (decrease)/increase in cash and cash equivalents	30	(8.5)	3.1

The cash flows for the current period reflect the 52 weeks ended 2 October 2021 and the cash flows for the prior period reflect the 53 weeks ended 3 October 2020. The cash flow statement for the 53 weeks ended 3 October 2020 has been restated such that it starts with the loss for the period rather than underlying operating profit. This restatement has had no impact on the net cash flows from operating, investing or financing activities or on the net increase in cash and cash equivalents in the period.



Group Balance Sheet

As at 2 October 2021

	Note	2 October 2021 £m	3 October 2020 £m
Non-current assets			
Goodwill	10	–	–
Other intangible assets	10	36.1	32.5
Property, plant and equipment	11	1,984.2	2,038.3
Interests in associates	12	277.4	–
Other non-current assets	13	15.9	17.5
Deferred tax assets	14	47.6	16.7
		2,361.2	2,105.0
Current assets			
Inventories	16	12.9	10.4
Trade and other receivables	17	52.3	16.2
Current tax assets		1.0	8.0
Other cash deposits		3.2	2.0
Cash and cash equivalents		32.2	40.6
		101.6	77.2
Assets held for sale	18	5.1	349.7
		106.7	426.9
Current liabilities			
Borrowings	19	(67.5)	(64.7)
Derivative financial instruments	21	–	(37.0)
Trade and other payables	22	(220.7)	(222.1)
Provisions for other liabilities and charges	23	(1.5)	(1.1)
		(289.7)	(324.9)
Liabilities held for sale	18	–	(111.0)
		(289.7)	(435.9)
Non-current liabilities			
Borrowings	19	(1,571.8)	(1,610.9)
Derivative financial instruments	21	(170.5)	(187.4)
Other non-current liabilities	24	(5.5)	(3.9)
Provisions for other liabilities and charges	23	(9.6)	(7.7)
Retirement benefit obligations	26	(14.4)	(37.2)
		(1,771.8)	(1,847.1)
Net assets		406.4	248.9



Group Balance Sheet continued

As at 2 October 2021

	Note	2 October 2021 £m	3 October 2020 £m
Shareholders' equity			
Equity share capital	28	48.7	48.7
Share premium account		334.0	334.0
Revaluation reserve		360.5	430.6
Merger reserve	29	–	23.7
Capital redemption reserve	29	6.8	6.8
Hedging reserve		(81.4)	(108.7)
Own shares	29	(111.1)	(111.9)
Retained earnings		(151.1)	(374.3)
Total equity		406.4	248.9

The financial statements were approved by the Board and authorised for issue on 30 November 2021 and are signed on its behalf by:

Andrew Andrea

Chief Executive Officer

30 November 2021



Group Statement of Changes in Equity

For the 52 weeks ended 2 October 2021

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 4 October 2020	48.7	334.0	430.6	23.7	6.8	(108.7)	(111.9)	(374.3)	248.9
Profit for the period	-	-	-	-	-	-	-	162.8	162.8
Remeasurement of retirement benefits	-	-	-	-	-	-	-	17.5	17.5
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	-	(2.5)	(2.5)
Gains on cash flow hedges	-	-	-	-	-	5.9	-	-	5.9
Transfers to the income statement on cash flow hedges	-	-	-	-	-	19.7	-	-	19.7
Tax on hedging reserve movements	-	-	-	-	-	1.7	-	-	1.7
Property revaluation	-	-	59.1	-	-	-	-	-	59.1
Property impairment	-	-	(105.0)	-	-	-	-	-	(105.0)
Deferred tax on properties	-	-	(9.8)	-	-	-	-	-	(9.8)
Total comprehensive (expense)/income	-	-	(55.7)	-	-	27.3	-	177.8	149.4
Share-based payments	-	-	-	-	-	-	-	1.2	1.2
Sale of own shares	-	-	-	-	-	-	0.8	(0.7)	0.1
Transfer disposals to retained earnings	-	-	(15.1)	(23.7)	-	-	-	38.8	-
Transfer tax to retained earnings	-	-	0.7	-	-	-	-	(0.7)	-
Changes in equity of associates	-	-	-	-	-	-	-	6.8	6.8
Total transactions with owners	-	-	(14.4)	(23.7)	-	-	0.8	45.4	8.1
At 2 October 2021	48.7	334.0	360.5	-	6.8	(81.4)	(111.1)	(151.1)	406.4

Further detail in respect of the Group's equity is provided in notes 28 and 29.



Group Statement of Changes in Equity continued

For the 53 weeks ended 3 October 2020

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 29 September 2019 (as originally reported)	48.7	334.0	598.9	23.7	6.8	(125.9)	(112.0)	36.9	811.1
Prior period adjustment	-	-	-	-	-	-	-	3.6	3.6
Adjustment for asset class split	-	-	(29.9)	-	-	-	-	(14.4)	(44.3)
Tax impact of asset class split	-	-	4.4	-	-	-	-	(0.6)	3.8
At 29 September 2019 (as restated)	48.7	334.0	573.4	23.7	6.8	(125.9)	(112.0)	25.5	774.2
Adjustment for adoption of IFRS 16	-	-	-	-	-	-	-	(15.9)	(15.9)
Tax impact of IFRS 16 adjustment	-	-	-	-	-	-	-	3.0	3.0
At 29 September 2019 (as adjusted)	48.7	334.0	573.4	23.7	6.8	(125.9)	(112.0)	12.6	761.3
Loss for the period	-	-	-	-	-	-	-	(359.6)	(359.6)
Remeasurement of retirement benefits	-	-	-	-	-	-	-	(6.5)	(6.5)
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	-	2.0	2.0
Losses on cash flow hedges	-	-	-	-	-	(3.8)	-	-	(3.8)
Transfers to the income statement on cash flow hedges	-	-	-	-	-	21.3	-	-	21.3
Tax on hedging reserve movements	-	-	-	-	-	(0.3)	-	-	(0.3)
Property impairment	-	-	(151.2)	-	-	-	-	-	(151.2)
Deferred tax on properties	-	-	15.7	-	-	-	-	-	15.7
Total comprehensive (expense)/income	-	-	(135.5)	-	-	17.2	-	(364.1)	(482.4)
Share-based payments	-	-	-	-	-	-	-	0.4	0.4
Sale of own shares	-	-	-	-	-	-	0.1	(0.1)	-
Transfer disposals to retained earnings	-	-	(8.1)	-	-	-	-	8.1	-
Transfer tax to retained earnings	-	-	0.8	-	-	-	-	(0.8)	-
Dividends paid	-	-	-	-	-	-	-	(30.4)	(30.4)
Total transactions with owners	-	-	(7.3)	-	-	-	0.1	(22.8)	(30.0)
At 3 October 2020	48.7	334.0	430.6	23.7	6.8	(108.7)	(111.9)	(374.3)	248.9

Further detail in respect of the Group's equity is provided in notes 28 and 29.



Notes

For the 52 weeks ended 2 October 2021

1 Accounting policies

The Group's principal accounting policies are set out below:

Basis of preparation

These consolidated financial statements for the 52 weeks ended 2 October 2021 (2020: 53 weeks ended 3 October 2020) have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee and Standing Interpretations Committee interpretations, adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally effective freehold land and buildings, certain financial instruments, retirement benefits and share-based payments, as explained below.

New standards

The Group has adopted 'Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)' from the start of the current period. These amendments have been applied retrospectively to hedging relationships that existed at 4 October 2020 which are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss accumulated in the hedging reserve at 4 October 2020.

The Group has also adopted 'Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)' from the start of the current period. The Group has applied the amendments retrospectively and in accordance with the transition requirements has not restated comparatives for the prior periods to reflect the application of the amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 4 October 2020, there is no impact on opening equity balances as a result of the retrospective application. The Phase 2 amendments provide practical relief from certain requirements in IFRS relating to modifications of financial instruments and hedging relationships triggered by the replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

Further details are provided below and in note 25.

A number of other new standards are also effective from the start of the current period but they do not have a material effect on the Group's financial statements.

The International Accounting Standards Board (IASB) have issued the following new or revised standards with an effective date for financial periods beginning on or after the dates disclosed below. These standards have not yet been adopted by the Group. The IASB have also issued a number of minor amendments to standards as part of their Annual Improvements to IFRS.

1 Accounting policies (continued)

IFRS 4	Insurance Contracts Amendments regarding the expiry date of the deferral approach	1 January 2023
IFRS 10	Consolidated Financial Statements Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Date deferred
IFRS 17	Insurance Contracts New accounting standard	1 January 2023
IAS 1	Presentation of Financial Statements Amendments regarding the classification of liabilities Amendments regarding the disclosure of accounting policies	1 January 2023 1 January 2023
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors Amendments regarding the definition of accounting estimates	1 January 2023
IAS 12	Income Taxes Amendments regarding deferred tax on leases and decommissioning obligations	1 January 2023
IAS 16	Property, Plant and Equipment Amendments prohibiting an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use	1 January 2022
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	Date deferred
IAS 37	Provisions, Contingent Liabilities and Contingent Assets Amendments regarding the costs to include when assessing whether a contract is onerous	1 January 2022

It is not anticipated that any of the above unadopted new standards will have a material impact on the Group's results or financial position.

Going concern

The impact of COVID-19 on the economy and the hospitality industry has resulted in lower revenues, profit and operating cash flow since March 2020 and has heightened uncertainty about the future financial performance of the Group and the Company, which could cast significant doubt over the Group's ability to trade as a going concern. The COVID-19 pandemic has resulted in a variety of temporary operating restrictions and, although the hospitality industry has now reopened in full, there is still uncertainty as to whether any restrictions, such as social distancing measures, will be reintroduced or whether any further local or national lockdowns will be required.

The Group's sources of funding include its securitised debt, a £280.0 million bank facility available until 2024, of which £190.0 million was drawn at 2 October 2021, and a £40.0 million private placement available until 2024.



Notes continued

For the 52 weeks ended 2 October 2021

1 Accounting policies (continued)

There are two covenants associated with the Group's securitised debt. The FCF DSCR is a measure of free cash flow to debt service for the group headed by Marston's Pubs Parent Limited, and is required to be a minimum of 1.1 over both a two-quarter and four-quarter period, and the Net Worth is derived from the net assets of that group of companies. The Group has secured waivers from its bondholders in respect of the FCF DSCR Covenant up to and including 2 October 2021 for the two-quarter test and up to and including 1 January 2022 for the four-quarter test. There was headroom of £345.5 million on the Net Worth Covenant at 2 October 2021.

There are two covenants associated with the Group's bank and private placement borrowings. The Debt Cover covenant is a measure of net borrowings to EBITDA (a maximum of 3.5 times) for the non-securitised group of companies and the Interest Cover covenant is a measure of EBITDA to finance charges (a minimum of 2 times from 2 April 2022, rising to 2.5 times from 1 October 2022, and further rising to 3 times from 1 April 2023) for that group of companies. The Group has agreed with its bank and private placement lenders to replace these existing financial covenant tests with a series of absolute covenants in respect of net borrowings and EBITDA for each quarter up to and including 1 January 2022. The headroom on the net borrowings and EBITDA covenants with the banks and private placement lenders at 2 October 2021 was £32.1 million and £9.2 million respectively.

The Directors have performed an assessment of going concern over the period of 12 months from the date of signing these financial statements, to assess the adequacy of the Group's financial resources. In performing their assessment, the Directors considered the Group's financial position and exposure to principal risks, including the ongoing impact of COVID-19. The Group's forecasts assume that sales and costs will continue at levels experienced in recent months, rising broadly in line with inflation. Deferred VAT will be repaid on its due date and the expected increase in the VAT rate from 12.5% to 20% in April 2022 will be absorbed by the Group. There is a forecast breach in both the Debt Cover and Interest Cover bank and private placement covenants at 2 April 2022.

The Directors have also considered a severe but plausible downside scenario, incorporating further lockdowns at a national level in January and February 2022, which would have the effect of substantially reducing sales, profit and operating cash flow. It has been assumed that there is no access to government support measures such as furlough payments in this scenario, and certain mitigating actions within management's control have been assumed, such as the deferral of uncommitted capital expenditure. The conclusion of this assessment was that the Directors are satisfied that the Group has sufficient liquidity to withstand such a severe but plausible downside scenario. However, the Debt Cover and Interest Cover bank and private placement covenants and the FCF DSCR Covenant for the securitisation are all forecast to be breached at 2 April 2022.

As the forecasts indicate that covenants are expected to be breached within the next 12 months, the Directors have concluded that a material uncertainty over going concern exists. The Group will continue to have regular communication with its lenders throughout this period and on the basis of the previous waivers secured and the return to pre-pandemic levels of trading in recent months the Directors expect to be able to secure the future waivers required.

1 Accounting policies (continued)

Considering the above, the Directors are satisfied that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing these financial statements. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements. However, a material uncertainty exists, in particular with respect to the ability to achieve the required covenant waivers or amendments, which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of Marston's PLC and all of its subsidiary undertakings. The results of 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 date when control ceased. 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.

When the Group loses control of a subsidiary the carrying amounts of the assets and liabilities of that subsidiary are derecognised at the date when control is lost. The fair value of the consideration received is recognised alongside any investment retained in the former subsidiary at the date that control is lost. Any resulting difference is recognised in full as a gain or loss under IFRS 10 'Consolidated Financial Statements'.

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, and hence for the purpose of the consolidated financial statements they have been treated as subsidiary undertakings.

The Group's interests in associates are accounted for using the equity method. On initial recognition the investment in an associate is recognised at cost and the carrying amount is subsequently increased or decreased to recognise the Group's share of the profit or loss, other comprehensive income and changes in equity of the associate after the date of acquisition. The net investment in an associate is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of events that occurred after the initial recognition of the net investment which have an impact on the estimated future cash flows that can be reliably estimated.



Notes continued

For the 52 weeks ended 2 October 2021

1 Accounting policies (continued)

Revenue and other operating income

The Group's revenue from contracts with customers in respect of continuing operations comprises retail sales and wholesale sales.

Retail sales – continuing

The Group sells food and drink to customers in its pubs. Revenue from the sale of food and drink is recognised when the goods are sold to the customers in the pubs. Payment of the transaction price is due immediately when the goods are provided to the customer.

The Group provides accommodation to customers in its public houses and lodges. Revenue from the provision of accommodation is recognised over the period of the customer's stay. Payment of the transaction price is due at the time of the customer's stay.

The Group provides gaming machines for customers to play in its pubs. Revenue from gaming machines is recognised when the game has been played. Payment of the transaction price is due when the game is played.

In respect of its franchised arrangements, where the Group controls the above goods or services before those goods or services are transferred to the customer, the associated income is included within the Group's revenue.

Wholesale sales – continuing

The Group sells drinks to tenants of its licensed properties. Revenue is recognised when the Group has transferred control of the goods to the customer. This occurs when the goods have been delivered to the customer, the customer has obtained legal title to the goods, the Group cannot require the return or transfer of the goods and the customer has an unconditional obligation to pay for the goods.

A receivable is recognised when the goods are delivered, and payment is due in line with each customer's individual credit terms. These terms are all less than one year and as such no element of financing is considered to be present.

The Group's revenue from contracts with customers in respect of discontinued operations comprised wholesale sales and contract services.

Wholesale sales – discontinued

The Group sold drinks to wholesalers, retailers and other pub operators. Revenue was recognised when the Group had transferred control of the goods to the customer. This occurred when the goods had been delivered to the customer, the customer had obtained legal title to the goods, the Group could not require the return or transfer of the goods and the customer had an unconditional obligation to pay for the goods.

Drinks were often sold with retrospective volume discounts based on sales over a defined period. The anticipated discounts were estimated based on accumulated experience using the expected value method and were deducted from the sales price that was recognised in revenue. A refund liability was recognised within trade and other payables for the volume discounts expected to be paid in respect of sales made prior to the balance sheet date.

1 Accounting policies (continued)

Contract services – discontinued

The Group brewed and packaged drinks for customers. Revenue was recognised when the Group had transferred control of the goods to the customer. This occurred when the goods had been delivered to the customer, the customer had obtained legal title to the goods and the customer had an unconditional obligation to pay for the goods.

The Group also transported and delivered goods for customers. Revenue was recognised over time as the Group transported the goods; due to the short distances the goods were transported this was equivalent to recognising revenue at the point when the goods were delivered to the required location.

Revenue is recorded net of discounts, intra group transactions, VAT and excise duty relating to the brewing and packaging of certain products.

The Group has elected to apply the practical expedient in paragraph 63 of IFRS 15 'Revenue from Contracts with Customers' whereby the promised amount of consideration is not adjusted for the effects of a significant financing component if it is expected that payment will be received within one year.

The Group also includes rent receivable from tenants of its licensed properties within revenue from continuing operations. This income is recognised in the period to which it relates.

Other operating income mainly comprises amounts receivable under the Coronavirus Job Retention Scheme and COVID-19 assistance grants from local authorities. These are recognised in the period to which they relate.

Operating segments

In the prior period the Group had three distinguishable operating segments being Pubs and Bars, Brewing and Group Services. Following the disposal of the Group's brewing operations in October 2020, the Group is considered to have one operating segment under IFRS 8 'Operating Segments' and no disclosures are presented. This is in line with the reporting to the chief operating decision maker and the operational structure of the business. For the purposes of IFRS 8 the chief operating decision maker has been identified as the Executive Directors.

Non-underlying items

In order to illustrate the underlying 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.

Non-underlying 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 non-underlying is higher than other items.

Details in respect of non-underlying items recognised in the current and prior period are provided in notes 4 and 8. Material judgements in respect of the classification of non-underlying items in the current period related to the impairment of freehold and leasehold properties and the contingent consideration fair value movement. The impairment of freehold and leasehold properties was considered to be non-underlying as it was a significant item that resulted primarily from movements in external market variables rather than reflecting the underlying trading performance of the Group. The contingent consideration fair value movement was considered to be non-underlying due to its non-recurring nature and this balance being solely derived from external market movements.



Notes continued

For the 52 weeks ended 2 October 2021

1 Accounting policies (continued)

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.

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

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

Acquired brands	Indefinite
Lease premiums	Life of the lease
Computer software	5 to 20 years
Development costs	10 years

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 in the prior period, goodwill was allocated to cash generating units that were consistent with the Group's operating segments.

Property, plant and equipment

- Land and buildings which are either freehold or are in substance freehold assets are classed as effective freehold land and buildings. This includes leasehold land and buildings with a term exceeding 100 years at acquisition/commencement of the lease or where there is an option to purchase the freehold at the end of the lease term for a nominal amount. All other leasehold land and buildings are classed as leasehold land and buildings.
- Effective freehold land and buildings are initially stated at cost and subsequently at valuation. Leasehold land and buildings, 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 or valuation of the assets less their residual values over their useful lives.
- Land and buildings are depreciated to their residual values over the lower of the lease term (where applicable) and 50 years.
- 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.

1 Accounting policies (continued)

Residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. The Group's effective freehold land and buildings in respect of its pub estate are considered to have a residual value equal to their current valuation and as such no depreciation is charged on these assets.

Effective freehold land and buildings 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 effective freehold land and buildings 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.

For effective freehold land and buildings revaluation 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.

The effective freehold property estate is assessed at each reporting date to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. This is consistent with the requirements of IAS 16 'Property, Plant and Equipment'.

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 and any associated lease liabilities. 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 of each significant cash generating unit. 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. The impairment loss is recognised in the income statement unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the income statement.

For goodwill and intangible assets that had an indefinite life, the recoverable amount was assessed annually and an impairment loss was recognised for the amount by which the asset's carrying amount exceeded its recoverable amount.



Notes continued

For the 52 weeks ended 2 October 2021

1 Accounting policies (continued)

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 a 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.

Leases

At the inception of a contract the Group assesses whether that contract is or contains a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group has taken the practical expedient in paragraph C3 of IFRS 16 'Leases' not to reassess whether an existing contract is or contains a lease at the date of initial application and as such the IFRS 16 definition of a lease has only been applied to contracts which were entered into or amended on or after 29 September 2019.

The lease term is determined as the non-cancellable period of a lease together with periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and the periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The Group has elected not to apply the lessee requirements of IFRS 16 to short-term leases and leases for which the underlying asset is of low value. The lease payments for such leases are recognised as an expense on a straight-line basis over the lease term.

For all other leases where it is the lessee the Group recognises a lease liability and a right-of-use asset at the commencement date of the lease.

The lease liability is recognised as the present value of the lease payments discounted using either the interest rate implicit in the lease or, where that rate cannot be readily determined, the Group's incremental borrowing rate. The lease payments include variable payments that depend on an index or rate and the exercise price of a purchase option if it is reasonably certain that it will be exercised. The lease liability is subsequently increased to reflect the interest thereon, reduced by the lease payments made and remeasured to reflect any reassessments or lease modifications, such as a change in future lease payments resulting from a change in an index or rate or a change in the lease term.

The right-of-use asset is recognised at an amount equal to the total of the lease liability, any lease payments made at or before the commencement date, any initial direct costs and the estimated future dismantling, removal and site restoration costs. The Group has elected to apply the revaluation model to right-of-use assets relating to the effective freehold land and buildings class of property, plant and equipment. All other right-of-use assets are held under the cost model and subsequently measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability.

1 Accounting policies (continued)

For assets where the Group is the lessor, 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. Where the Group is an intermediate lessor of an asset, the sublease is classified as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease rather than the underlying asset.

Income receivable under operating leases is credited to the income statement on a straight-line basis over the term of the lease.

Where a sublease is classified as a finance lease the right-of-use asset is derecognised and the Group recognises a finance lease receivable at an amount equal to the net investment in the lease. The lease payments are discounted at the interest rate implicit in the lease, or where this cannot be readily determined, the discount rate used for the head lease. Finance income is recognised over the lease term based on a pattern reflecting a constant periodic rate of return on the net investment in the lease.

Obligations arising from sale and leaseback arrangements with repurchase options that do not fall within the scope of IFRS 16 are classified as other lease related borrowings and accounted for in accordance with IFRS 9 'Financial Instruments'.

Inventories

Inventories are stated at the lower of cost and net realisable value and are valued on a 'first in, first out' basis.

Assets and disposal groups held for sale

Assets, typically properties and related fixtures and fittings, and disposal groups comprising assets and liabilities, are categorised as held for sale when their value will be recovered through a sale transaction rather than continuing use. This condition is met when the sale is highly probable, the asset or disposal group 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 and disposal groups held for sale are valued at the lower of carrying value and fair value less costs to sell. Once classified as held for sale intangible assets and property, plant and equipment are no longer amortised or depreciated.

Financial instruments

The Group classifies its financial assets in one of the following two categories: at fair value through profit or loss and at amortised cost. 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 Group classifies a financial asset as at amortised cost if the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest.

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. Contingent consideration is also categorised as at fair value through profit or loss as it does not give rise on specified dates to cash flows that are solely payments of principal and interest. The Group holds no other financial instruments at fair value through profit or loss.



Notes continued

For the 52 weeks ended 2 October 2021

1 Accounting policies (continued)

Financial assets at amortised cost

Financial assets at amortised cost comprise finance lease receivables, trade receivables, other receivables, other cash deposits and cash and cash equivalents in the balance sheet and are measured 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.

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.

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 in the period in which they arise.

At the inception of a hedging transaction, the Group documents the economic 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 cash flows of hedged items.

For the purpose of evaluating whether there is an economic relationship between the hedged item and the hedging instrument, the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform. For a cash flow hedge of a forecast transaction and the purpose of assessing whether the forecast transaction is highly probable, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

1 Accounting policies (continued)

The Group ceases to apply these specific policies for assessing the economic relationship between the hedged item and the hedging instrument and undertaking its highly probable assessment of the forecast cash flows when the uncertainty arising from interest rate benchmark reform regarding the timing and the amount of the interest rate benchmark based cash flows is no longer present, or when the hedging relationship is discontinued.

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the formal designation of that hedging relationship to reflect the changes required by IBOR reform. For this purpose the hedge designation is amended only to designate an alternative benchmark rate as the hedged risk, to update the description of the hedged item or to update the description of the hedging instrument. Such an amendment to the formal designation of a hedging relationship does not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the amount accumulated in the hedging reserve for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

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.

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.

Contingent consideration

Contingent consideration is initially recognised at fair value at the date of disposal and subsequently remeasured at its fair value at each balance sheet date.

Finance lease receivables

Finance lease receivables are recognised at an amount equal to the net investment in the lease and subsequently measured at amortised cost less provision for impairment.

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.



Notes continued

For the 52 weeks ended 2 October 2021

1 Accounting policies (continued)

The Group applies the expected credit loss model to calculate any loss allowance for finance lease receivables, trade receivables and other receivables. For finance lease receivables, trade receivables and other receivables that result from transactions that are within the scope of IFRS 15 'Revenue from Contracts with Customers' or from transactions that are within the scope of IFRS 16 'Leases' the loss allowance is measured as the lifetime expected credit losses. For any other trade or other receivables the loss allowance is measured as the 12-month expected credit losses unless the credit risk has increased significantly since initial recognition, in which case the lifetime expected credit losses are used. Details of the methodologies used to calculate the expected credit losses for the different groupings of finance lease receivables, trade receivables and other receivables are given in note 25.

The carrying amount of finance lease receivables, trade receivables and other receivables is reduced through the use of an allowance account, and the amount of the loss allowance is recognised in the income statement within other operating charges. The Group's policy is to write off finance lease receivables, trade receivables and other receivables when there is no reasonable expectation of recovery of the balance due. Indicators that there is no reasonable expectation of recovery depend on the type of debtor/customer and include a debt being over four months old, the failure of the debtor to engage in a repayment plan and the failure to recover any amounts through enforcement activity. Subsequent recoveries of amounts previously written off are credited against other operating charges in the income statement.

Other cash deposits

Cash held on deposit with banks with a maturity of more than three months at the date of acquisition is classified within other cash deposits.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits on call with banks. Any 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.

If the basis for determining the contractual cash flows of borrowings measured at amortised cost changes as a result of interest rate benchmark reform, then the effective interest rate of the borrowings is updated to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform when the change is necessary as a direct consequence of the reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

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.

1 Accounting policies (continued)

Trade payables and other payables

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

Employee benefits

Pension costs for the Group's defined benefit pension 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 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 is included within non-underlying finance income or costs and the administrative expenses paid from plan assets are included within 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.

Should contributions payable under a minimum funding requirement not be available as a refund or reduction in future contributions after they are paid into the plan, a liability would be recognised to this extent when the obligation arose.

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.

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 key management personnel are the Directors of the Group and as such the Directors are related parties of the Group.

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.



Notes continued

For the 52 weeks ended 2 October 2021

1 Accounting policies (continued)

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.

Provisions are recognised for the reinstatement costs of leasehold properties at the end of the lease term. Where leasehold properties are empty and/or loss making the unavoidable ongoing future costs associated with the properties (excluding rent) are also 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 for which the estimates of future cash flows have not been adjusted. The key assumptions used in the discounted cash flow calculations are the discount and inflation rates and the expected future net expenditure.

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 issuing 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.

1 Accounting policies (continued)

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.

Government grants

Government grants are recognised when there is reasonable assurance the grants will be received and the conditions of the grant will be complied with. Income from government grants is included within other operating income.

Key estimates and significant judgements

Under IFRS the Group is required 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 non-underlying items, property, plant and equipment, retirement benefits and financial instruments. Further details are provided in the relevant accounting policy or detailed note to the financial statements.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Non-underlying items

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

The following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities:

Property, plant and equipment

- Valuation of effective freehold land and buildings (note 11).

Retirement benefits

- Actuarial assumptions in respect of the defined benefit pension plan, which include discount rates, rates of increase in pensions, inflation rates and life expectancies (note 26).

Financial instruments

- Valuation of derivative financial instruments (note 25).



Notes continued

For the 52 weeks ended 2 October 2021

2 Segment reporting

In the prior period the Group had three distinguishable operating segments being Pubs and Bars, Brewing and Group Services. Following the disposal of the Group's brewing operations in October 2020, the Group is considered to have one operating segment under IFRS 8 'Operating Segments' and no disclosures are presented. This is in line with the reporting to the chief operating decision maker and the operational structure of the business. The measure of profit or loss reviewed by the chief operating decision maker is underlying profit/loss before tax for the total of continuing and discontinued operations.

Geographical areas

Revenue generated outside the UK during the period was £0.9 million (2020: £11.0 million). This relates wholly to discontinued operations. All of the Group's assets are located in the UK.

3 Revenue and operating expenses

	2021 £m	2020 £m
Revenue		
Retail sales	376.3	479.5
Wholesale sales	20.4	27.5
Revenue from contracts with customers	396.7	507.0
Rental income	5.0	8.5
Total revenue from continuing operations	401.7	515.5

	2021 £m	2020 £m
Operating expenses		
Change in stocks of finished goods	(2.1)	1.0
Own work capitalised	(0.8)	(3.0)
Other operating income	(58.2)	(37.5)
Raw materials and consumables	105.6	146.9
Depreciation of property, plant and equipment	38.9	38.9
Amortisation of intangible assets	3.8	3.0
Employee costs	183.9	174.4
Hire of plant and machinery	1.2	1.0
Impairment of freehold and leasehold properties	83.5	106.8
Impairment of goodwill	–	200.6
Other operating charges	136.4	168.9
Operating expenses for continuing operations	492.2	801.0

Government grants of £43.5 million (2020: £33.3 million) in respect of the Coronavirus Job Retention Scheme and £10.9 million (2020: £0.8 million) in respect of COVID-19 assistance from local authorities are included within other operating income from continuing operations.

Other operating charges primarily relate to pub overheads and administration costs.

3 Revenue and operating expenses (continued)

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

	2021 £m	2020 £m
Raw materials and consumables	0.1	3.9
Employee costs	1.7	2.0
Impairment of freehold and leasehold properties	83.5	105.1
Impairment of goodwill	–	200.6
Other operating charges	10.9	30.6
	96.2	342.2

	2021 £m	2020 £m
Underlying EBITDA		
Operating loss	(105.0)	(293.0)
Non-underlying operating items	97.6	367.0
Underlying operating (loss)/profit	(7.4)	74.0
Depreciation and amortisation	42.7	51.6
	35.3	125.6

Fees payable to the Company's Auditor were as follows:

	2021 £m	2020 £m
KPMG LLP fees:		
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	0.2	0.3
Fees payable to the Company's Auditor for other services to the Group:		
The audit of the Company's subsidiaries	0.2	0.2
Audit related assurance services	0.1	0.1
	0.5	0.6



Notes continued

For the 52 weeks ended 2 October 2021

4 Non-underlying items

	2021 £m	2020 £m
Non-underlying operating items		
Reorganisation and restructuring costs	1.0	–
Impairment of freehold and leasehold properties	83.9	105.1
Write-off of acquisition and development costs	–	0.9
Past service cost in respect of Guaranteed Minimum Pension equalisation	0.5	–
Impairment of goodwill	–	200.6
Portfolio disposals	–	22.4
Impact of COVID-19	10.8	16.4
VAT claims	–	(3.2)
	96.2	342.2
Non-underlying non-operating items		
Net interest on net defined benefit asset/liability	0.6	0.6
Interest on VAT claims	–	(1.0)
COVID-19 financing costs	1.4	2.1
Interest rate swap movements	(8.4)	6.4
Contingent consideration fair value movement	(20.0)	–
	(26.4)	8.1
Total non-underlying items for continuing operations	69.8	350.3

Reorganisation and restructuring costs

Following the disposal of the Group's brewing business, and in light of the ongoing impact of the COVID-19 outbreak, the Group undertook a central restructuring exercise in the current period as part of a full review of its overhead costs.

Impairment of freehold and leasehold properties

At 4 July 2021 the Group's effective freehold properties were revalued by independent chartered surveyors on an open market value basis. The Group also undertook an impairment review of its leasehold properties in the current period.

In the prior period, in light of the COVID-19 outbreak, the Group undertook a detailed valuation review of its pub estate, which resulted in the impairment of a number of these properties.

4 Non-underlying items (continued)

The revaluation and impairment adjustments in respect of the above were recognised in the revaluation reserve or income statement as appropriate. The amount recognised in the income statement comprises:

	2021 £m	2020 £m
Impairment of property, plant and equipment (note 11)	104.0	105.1
Reversal of past impairment of property, plant and equipment (note 11)	(22.3)	–
Impairment of assets held for sale (note 18)	1.8	–
Valuation fees	0.4	–
	83.9	105.1

Past service cost in respect of Guaranteed Minimum Pension equalisation

On 26 October 2018 a High Court ruling indicated that Guaranteed Minimum Pensions must be equalised for men and women. On 20 November 2020 a further High Court ruling indicated that historic cash equivalent transfer values that were calculated on an unequalised basis should be topped up if an affected member makes a successful claim. This additional requirement has been reflected in the calculation of the Group's net defined benefit asset/liability in the current period and the resulting additional past service cost of £0.5 million has been classified as a non-underlying item.

Impact of COVID-19

In order to mitigate the spread of COVID-19 the UK government implemented various operating restrictions in the hospitality industry, such as pub closures, reduced opening times and social distancing measures. These had a significant impact on the Group's business and its customers. Certain associated costs/charges, which primarily comprise bad debt and lease related provisions, contract penalties and stock write-offs, have been classified as a non-underlying item in the current and prior period. Details of government grants received in respect of COVID-19 are provided in note 3.

Net interest on net defined benefit asset/liability

The net interest on the net defined benefit asset/liability in respect of the Group's defined benefit pension plan was a charge of £0.6 million (2020: £0.6 million) (note 26).

COVID-19 financing costs

As a result of the COVID-19 outbreak and the consequential impact on its trading ability, the Group obtained certain waivers from its lenders, primarily in respect of covenants. In the prior period the Group also obtained additional financing facilities from its lenders. The costs related to this have been classified as a non-underlying item in the current and prior period.



Notes continued

For the 52 weeks ended 2 October 2021

4 Non-underlying items (continued)

Interest rate swap movements

The Group's interest rate swaps are revalued to fair value at each balance sheet date. For interest rate swaps which were designated as part of a hedging relationship a gain of £5.9 million (2020: loss of £3.8 million) has been recognised in the hedging reserve in respect of the effective portion of the fair value movement and £7.2 million (2020: £6.7 million) has been reclassified from the hedging reserve to underlying finance costs in the income statement in respect of the cash paid in the period. The ineffective portion of the fair value movement has been recognised within the income statement. The cash paid of £1.6 million (2020: £1.7 million) has been recognised within underlying finance costs to ensure that underlying finance costs reflect the resulting fixed rate paid on the associated debt. The remainder of the ineffective portion of the fair value movement, a loss of £0.8 million (2020: gain of £0.5 million), has been recognised within non-underlying items. In addition £12.5 million (2020: £14.6 million) of the balance remaining in the hedging reserve in respect of discontinued cash flow hedges has been reclassified to the income statement within non-underlying items.

For interest rate swaps which were not designated as part of a hedging relationship the fair value movement has been recognised within the income statement. The cash paid of £11.6 million (2020: £11.4 million) has been recognised within underlying finance costs to ensure that underlying finance costs reflect the resulting fixed rate paid on the associated debt. The remainder of the fair value movement, a gain of £24.0 million (2020: £7.7 million), equal to the change in the carrying value of the interest rate swaps in the period has been recognised within non-underlying items.

The Group terminated one of its interest rate swaps in the current period resulting in a loss of £2.3 million which has been recognised within non-underlying items.

Contingent consideration fair value movement

The contingent consideration on the disposal of Marston's Beer Company Limited was initially recognised at its fair value at the date of disposal and has been subsequently remeasured at its fair value at 2 October 2021. The movement in fair value has been recognised within non-underlying items.

Impact of taxation

The current tax credit relating to the above non-underlying items amounts to £nil (2020: £3.2 million). The deferred tax credit relating to the above non-underlying items amounts to £7.9 million (2020: £20.6 million). In addition, there is a non-underlying deferred tax credit of £19.8 million (2020: £1.8 million) in relation to the change in corporation tax rate.

Prior period non-underlying items

In the 52 weeks ended 28 September 2019 the Group decided to focus its capital expenditure upon its existing estate and as such acquisition and development costs of £0.9 million in respect of sites which the Group no longer intended to acquire and/or develop were written off in the prior period.

4 Non-underlying items (continued)

In the prior period the Group fully impaired the goodwill that was allocated to the Pubs and Bars segment (note 10). The inputs to the value in use calculation were significantly impacted by the COVID-19 outbreak.

As part of its debt reduction strategy, the Group disposed of two portfolios of smaller wet-led leased, tenanted and franchised pubs and associated properties in the prior period. The net loss on disposal and associated costs were classified as a non-underlying item, together with dilapidations costs from a previous portfolio disposal.

In the prior period the Group recognised a net credit of £3.2 million in respect of VAT claims, along with the associated interest of £1.0 million. This comprised credits received from HM Revenue & Customs (HMRC) in relation to VAT on gaming machine income, following HMRC's decision not to further appeal the case brought by The Rank Group Plc, net of the reversal of amounts previously recognised in respect of VAT on pension scheme management expenses.

5 Employees

	2021 £m	2020 £m
Employee costs		
Wages and salaries	166.5	205.2
Social security costs	13.4	16.6
Pension costs	6.6	9.9
Share-based payments	1.2	0.4
Termination costs	1.2	0.4
Employee costs	188.9	232.5
Employee costs for discontinued operations	(5.0)	(58.1)
Employee costs for continuing operations	183.9	174.4

A non-underlying charge of £1.7 million (2020: £2.0 million) is included in employee costs for continuing operations.

	2021 Number	2020 Number
Average monthly number of employees		
Bar staff	9,578	10,392
Management, administration and production	1,511	2,924

	2021 £m	2020 £m
Key management personnel compensation		
Short-term employee benefits	1.6	1.4
Termination benefits	0.1	–
Share-based payments	0.4	0.1
	2.1	1.5



Notes continued

For the 52 weeks ended 2 October 2021

6 Finance costs and income

	2021 £m	2020 £m
Finance costs		
Bank borrowings	11.0	15.9
Securitised debt	37.4	40.4
Lease liabilities	17.7	16.1
Other lease related borrowings	21.1	20.9
Other interest payable and similar charges	6.2	2.8
	93.4	96.1
Non-underlying finance costs		
Net interest on net defined benefit asset/liability	0.6	0.6
COVID-19 financing costs	1.4	2.1
	2.0	2.7
Total finance costs	95.4	98.8
Finance income		
Finance lease and other interest receivable	(0.9)	(1.0)
	(0.9)	(1.0)
Non-underlying finance income		
Interest on VAT claims	–	(1.0)
	–	(1.0)
Total finance income	(0.9)	(2.0)
Interest rate swap movements		
Hedge ineffectiveness on cash flow hedges (net of cash paid)	0.8	(0.5)
Change in carrying value of interest rate swaps	(24.0)	(7.7)
Transfer of hedging reserve balance in respect of discontinued hedges	12.5	14.6
Loss on termination of interest rate swaps	2.3	–
	(8.4)	6.4
Contingent consideration fair value movement		
Contingent consideration fair value movement	(20.0)	–
	(20.0)	–
Net finance costs for continuing operations	66.1	103.2

7 Taxation

	2021 £m	2020 £m
Income statement		
Current tax		
Current period	–	(2.9)
Adjustments in respect of prior periods	(0.5)	(0.3)
Credit in respect of tax on non-underlying items	–	(3.2)
	(0.5)	(6.4)
Deferred tax		
Current period	(14.6)	(4.3)
Adjustments in respect of prior periods	–	(7.1)
Credit in respect of tax on non-underlying items	(7.9)	(20.6)
Non-underlying credit in relation to the change in tax rate	(19.8)	(1.8)
	(42.3)	(33.8)
Taxation credit for continuing operations reported in the income statement	(42.8)	(40.2)
Statement of comprehensive income		
Remeasurement of retirement benefits	2.5	(2.0)
Impairment and revaluation of properties	9.8	(15.7)
Hedging reserve movements	(1.7)	0.3
Taxation charge/(credit) reported in the statement of comprehensive income	10.6	(17.4)

A deferred tax charge of £8.4 million (2020: £5.0 million) relating to the change in corporation tax rate has been recognised in the statement of comprehensive income and is included in the above amounts.



Notes continued

For the 52 weeks ended 2 October 2021

7 Taxation (continued)

The actual tax rate for the period is higher (2020: lower) than the standard rate of corporation tax of 19% (2020: 19%). The differences are explained below:

	2021 £m	2020 £m
Tax reconciliation		
Loss before tax from continuing operations	(171.1)	(388.7)
Loss before tax multiplied by the corporation tax rate of 19% (2020: 19%)	(32.5)	(73.9)
Effect of:		
Adjustments in respect of prior periods	(0.5)	(7.4)
Deferred tax asset not recognised	9.0	4.9
Net deferred tax credit in respect of land and buildings	(2.6)	(0.1)
Costs not deductible for tax purposes	0.8	0.6
Share of loss of associate	2.8	–
Impairment of goodwill	–	38.1
Other amounts requiring adjustment for tax purposes	–	(0.6)
Impact of change in tax rate	(19.8)	(1.8)
Taxation credit for continuing operations	(42.8)	(40.2)

A UK corporation tax rate of 19% (effective from 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17% from 1 April 2020. The March 2021 Budget announced that the main rate of corporation tax would change from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 2 October 2021 have been calculated at 25% (2020: 19%).

8 Discontinued operations

On 4 October 2020 the Group transferred its brewing operations into a wholly-owned subsidiary, Marston's Beer Company Limited. On 30 October 2020 the Group sold Marston's Beer Company Limited to Carlsberg Marston's Brewing Company Limited in exchange for a cash receipt of £232.4 million, contingent consideration of up to £34.0 million and a 40% shareholding in Carlsberg Marston's Brewing Company Limited.

Results of discontinued operations

	2021			2020		
	Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m	Total £m
Revenue	22.1	–	22.1	305.5	–	305.5
Operating expenses	(20.7)	(1.4)	(22.1)	(288.2)	(24.8)	(313.0)
Operating profit/(loss)	1.4	(1.4)	–	17.3	(24.8)	(7.5)
Net finance costs	(0.1)	–	(0.1)	(0.9)	–	(0.9)
Profit/(loss) before taxation	1.3	(1.4)	(0.1)	16.4	(24.8)	(8.4)
Taxation	0.4	0.3	0.7	(3.1)	0.4	(2.7)
Profit/(loss) after taxation	1.7	(1.1)	0.6	13.3	(24.4)	(11.1)
Gain on disposal of discontinued operations	–	290.5	290.5	–	–	–
Profit/(loss) for the period attributable to equity shareholders	1.7	289.4	291.1	13.3	(24.4)	(11.1)

Non-underlying operating items in the current period relate to the impact of COVID-19 and business separation costs. Non-underlying operating items in the prior period related to the impact of COVID-19, disposal costs and the impairment of central assets associated with discontinued operations. Government grants of £0.1 million (2020: £0.4 million) in respect of the Coronavirus Job Retention Scheme are included within operating expenses for discontinued operations.

Cash flows from discontinued operations

	2021 £m	2020 £m
Net cash (outflow)/inflow from operating activities	(86.8)	63.2
Net cash inflow/(outflow) from investing activities	227.7	(7.5)
Net cash outflow from financing activities	(0.2)	(4.1)
Net increase in cash and cash equivalents	140.7	51.6



Notes continued

For the 52 weeks ended 2 October 2021

8 Discontinued operations (continued)

Disposal of discontinued operations

	2021 £m
Consideration received in cash (net of disposal costs)	228.1
Shares in Carlsberg Marston's Brewing Company Limited	285.1
Balance owed by Marston's Beer Company Limited at completion	55.5
Contingent consideration	8.9
Total consideration	577.6
Goodwill	29.7
Other intangible assets	62.1
Property, plant and equipment	157.6
Trade loans	8.0
Inventories	28.5
Trade and other receivables	56.8
Cash and cash equivalents	0.1
Borrowings	(21.1)
Trade and other payables	(20.8)
Deferred tax liabilities	(13.8)
Net assets disposed of	287.1
Gain on disposal of discontinued operations	290.5

	2021 £m
Consideration received in cash (net of disposal costs)	228.1
Cash and cash equivalents disposed of	(0.1)
Net cash inflow on disposal	228.0

9 Earnings per ordinary share

Basic earnings/(loss) 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 (note 29).

For diluted earnings/(loss) 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.

9 Earnings per ordinary share (continued)

Underlying (loss)/earnings per share figures are presented to exclude the effect of non-underlying items. The Directors consider that the supplementary figures are a useful indicator of performance.

	2021		2020	
	Earnings £m	Per share amount p	Earnings £m	Per share amount p
Basic earnings/(loss) per share				
Total	162.8	25.7	(359.6)	(56.8)
Continuing	(128.3)	(20.3)	(348.5)	(55.1)
Discontinued	291.1	46.0	(11.1)	(1.8)
Diluted earnings/(loss) per share				
Total	162.8	25.7	(359.6)	(56.8)
Continuing	(128.3)	(20.3)	(348.5)	(55.1)
Discontinued	291.1	46.0	(11.1)	(1.8)
Underlying (loss)/earnings per share figures				
Basic underlying (loss)/earnings per share				
Total	(84.5)	(13.4)	(10.5)	(1.7)
Continuing	(86.2)	(13.6)	(23.8)	(3.8)
Discontinued	1.7	0.3	13.3	2.1
Diluted underlying (loss)/earnings per share				
Total	(84.5)	(13.4)	(10.5)	(1.7)
Continuing	(86.2)	(13.6)	(23.8)	(3.8)
Discontinued	1.7	0.3	13.3	2.1

	2021 m	2020 m
Basic weighted average number of shares	632.8	632.7
Dilutive potential ordinary shares	–	–
Diluted weighted average number of shares	632.8	632.7

In accordance with IAS 33 'Earnings per Share' the potential ordinary shares are not dilutive as their inclusion would reduce the loss per share for continuing operations.



Notes continued

For the 52 weeks ended 2 October 2021

10 Goodwill and other intangible assets

Goodwill

	£m
Cost	
At 4 October 2020 and 2 October 2021	201.7
Aggregate impairment	
At 4 October 2020 and 2 October 2021	201.7
Net book amount at 3 October 2020	–
Net book amount at 2 October 2021	–
	£m
Cost	
At 29 September 2019	231.4
Net transfers to assets held for sale and disposals	(29.7)
At 3 October 2020	201.7
Aggregate impairment	
At 29 September 2019	1.1
Charged in the period	200.6
At 3 October 2020	201.7
Net book amount at 28 September 2019	230.3
Net book amount at 3 October 2020	–

Impairment testing of goodwill

In the prior period goodwill was allocated to cash generating units which comprised the Group's operating segments, and the value of the recoverable amounts allocated to those segments was estimated and compared to the carrying amounts. Recoverable amounts were determined based on the higher of value in use and fair value less costs to sell.

Goodwill was allocated to operating segments based on the extent to which the benefits of acquisitions flowed to that segment. The goodwill allocated to the Brewing segment was transferred to assets held for sale in the prior period.

10 Goodwill and other intangible assets (continued)

The key assumptions used in determining value in use were the cash flow projections, which were derived from the Board approved budgets and five-year strategic plans, the pre-tax discount rate applied to the cash flow projections of 10.8% and the growth rate used to extrapolate the cash flows beyond the five-year projections of 1.5%. Other commercial assumptions related to market growth, market share and net selling prices. These assumptions were based on historic trends adjusted for management estimates of future prospects. These estimates took account of economic forecasts, marketing plans, political factors and assessments of competitors' strategy. The discount rate used was the Group's weighted average cost of capital adjusted to reflect market conditions.

The above impairment tests required an impairment of £200.6 million in the prior period reducing the balance of goodwill to £nil. This impairment charge was included within non-underlying operating expenses (note 4). The impairment related to the Pubs and Bars segment which had a recoverable amount of £1,954.2 million calculated on a value in use basis. The COVID-19 outbreak had a significant impact on the inputs to the value in use calculation, increasing the discount rate and reducing the forecast cash flows and growth rate.

Other intangible assets

	Computer software £m
Cost	
At 4 October 2020	41.6
Additions	7.5
Net transfers to assets held for sale and disposals	(0.7)
At 2 October 2021	48.4
Amortisation	
At 4 October 2020	9.1
Charge for the period	3.8
Net transfers to assets held for sale and disposals	(0.6)
At 2 October 2021	12.3
Net book amount at 3 October 2020	32.5
Net book amount at 2 October 2021	36.1



Notes continued

For the 52 weeks ended 2 October 2021

10 Goodwill and other intangible assets (continued)

	Acquired brands £m	Lease premiums £m	Computer software £m	Development costs £m	Total £m
Cost					
At 29 September 2019	62.1	1.5	31.1	0.1	94.8
Adjustment for adoption of IFRS 16	–	(1.5)	–	–	(1.5)
Additions	–	–	11.7	–	11.7
Net transfers to assets held for sale and disposals	(62.1)	–	(1.2)	(0.1)	(63.4)
At 3 October 2020	–	–	41.6	–	41.6
Amortisation					
At 29 September 2019	–	0.8	5.4	0.1	6.3
Adjustment for adoption of IFRS 16	–	(0.8)	–	–	(0.8)
Charge for the period	–	–	3.0	–	3.0
Impairment	–	–	1.2	–	1.2
Net transfers to assets held for sale and disposals	–	–	(0.5)	(0.1)	(0.6)
At 3 October 2020	–	–	9.1	–	9.1
Net book amount at 28 September 2019	62.1	0.7	25.7	–	88.5
Net book amount at 3 October 2020	–	–	32.5	–	32.5

Acquired brands were 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 were regarded as having indefinite useful lives and no annual amortisation was provided. In the prior period acquired brands were transferred to assets held for sale. Prior to this the carrying values of acquired brands were subject to annual impairment reviews.

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

11 Property, plant and equipment

	Effective freehold land and buildings £m	Leasehold land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation					
At 4 October 2020	1,625.6	392.0	0.1	278.7	2,296.4
Additions	20.2	96.1	–	12.3	128.6
Disposals	(12.7)	(5.2)	(0.1)	(19.5)	(37.5)
Net transfers to assets held for sale	(2.6)	–	–	(0.3)	(2.9)
Revaluation	(100.5)	–	–	–	(100.5)
At 2 October 2021	1,530.0	482.9	–	271.2	2,284.1
Depreciation					
At 4 October 2020	0.1	121.3	0.1	136.6	258.1
Charge for the period	0.1	13.6	–	25.2	38.9
Disposals	(0.1)	(4.7)	(0.1)	(19.1)	(24.0)
Net transfers to assets held for sale	–	–	–	(0.2)	(0.2)
Impairment	–	27.0	–	0.1	27.1
At 2 October 2021	0.1	157.2	–	142.6	299.9
Net book amount at 3 October 2020	1,625.5	270.7	–	142.1	2,038.3
Net book amount at 2 October 2021	1,529.9	325.7	–	128.6	1,984.2



Notes continued

For the 52 weeks ended 2 October 2021

11 Property, plant and equipment (continued)

	Effective freehold land and buildings £m	Leasehold land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation					
At 29 September 2019 (as originally reported)	2,004.4	110.2	86.6	333.6	2,534.8
Adjustment for asset class split	–	(19.0)	–	–	(19.0)
At 29 September 2019 (as restated)	2,004.4	91.2	86.6	333.6	2,515.8
Adjustment for adoption of IFRS 16	–	315.2	1.2	0.4	316.8
Additions	22.6	5.6	3.4	19.0	50.6
Disposals	(81.8)	(7.9)	(4.1)	(25.5)	(119.3)
Net transfers to assets held for sale	(75.7)	(12.1)	(87.0)	(48.8)	(223.6)
Revaluation	(243.9)	–	–	–	(243.9)
At 3 October 2020	1,625.6	392.0	0.1	278.7	2,296.4
Depreciation					
At 29 September 2019 (as originally reported)	0.8	5.1	35.7	142.8	184.4
Adjustment for asset class split	–	25.3	–	–	25.3
At 29 September 2019 (as restated)	0.8	30.4	35.7	142.8	209.7
Adjustment for adoption of IFRS 16	–	71.1	0.8	0.3	72.2
Charge for the period	0.4	12.7	5.5	30.0	48.6
Disposals	–	(4.7)	(3.8)	(18.1)	(26.6)
Net transfers to assets held for sale	(1.1)	(2.0)	(38.1)	(21.1)	(62.3)
Impairment	–	13.8	–	2.7	16.5
At 3 October 2020	0.1	121.3	0.1	136.6	258.1
Net book amount at 28 September 2019 (as restated)	2,003.6	60.8	50.9	190.8	2,306.1
Net book amount at 3 October 2020	1,625.5	270.7	–	142.1	2,038.3

11 Property, plant and equipment (continued)

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

	2021 £m	2020 £m
Freehold land and buildings	1,395.2	1,469.5
Leasehold land and buildings with a term greater than 100 years at acquisition/commencement	134.7	156.0
Leasehold land and buildings with a term less than 100 years at acquisition/commencement	325.7	270.7
	1,855.6	1,896.2

If the effective freehold land and buildings had not been revalued, the historical cost net book amount would be £1,102.3 million (2020: £1,147.4 million).

Cost at 2 October 2021 includes £3.1 million (2020: £6.4 million) of assets in the course of construction.

Interest costs of £nil (2020: £0.3 million) were capitalised in the period in respect of the financing of major projects. The capitalisation rate used was 5%.

The net loss on disposal of property, plant and equipment, intangible assets and properties classified as held for sale was £1.1 million (2020: £20.8 million).

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £2.7 million (2020: £2.3 million).

The net book amount of effective freehold land and buildings held as part of sale and leaseback arrangements that do not fall within the scope of IFRS 16 'Leases' was £230.3 million (2020: £269.0 million).

In the current period the Group entered into a transaction with S.A.Brain & Company, Limited which resulted in the Group operating an additional 147 pubs. As the Group did not take on any pre-existing business processes the transaction was not accounted for as a business combination under IFRS 3 'Business Combinations'. For properties where the Group entered into a lease, right-of-use assets of £90.5 million were recognised within additions above, and the associated lease liabilities were recognised within borrowings, and for the eight properties where the Group acquired the freehold the purchase price was recognised within additions above. It is considered that the Group acts as principal in regards to these pub businesses and as such the income from the retail sales, wholesale sales and leasing of these businesses is included within the Group's revenue. The Group agreed to operate ten pubs under a short-term management agreement in return for a management fee. It is considered that the Group is acting as agent in respect of these properties and as such the Group does not recognise any revenue in respect thereof; instead it recognises the management fee income within other operating income.



Notes continued

For the 52 weeks ended 2 October 2021

11 Property, plant and equipment (continued)

The disaggregation of land and buildings into assets leased to tenants under operating leases and those held and used by the Group is as follows:

	2021			2020		
	Leased to tenants £m	Used by the Group £m	Total £m	Leased to tenants £m	Used by the Group £m	Total £m
Effective freehold land and buildings						
Cost or valuation	248.3	1,281.7	1,530.0	279.9	1,345.7	1,625.6
Depreciation	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Net book amount	248.2	1,281.7	1,529.9	279.8	1,345.7	1,625.5

	2021			2020		
	Leased to tenants £m	Used by the Group £m	Total £m	Leased to tenants £m	Used by the Group £m	Total £m
Leasehold land and buildings						
Cost	25.2	457.7	482.9	12.1	379.9	392.0
Depreciation	(6.7)	(150.5)	(157.2)	(7.6)	(113.7)	(121.3)
Net book amount	18.5	307.2	325.7	4.5	266.2	270.7

The services provided to the tenants are considered to be significant to the arrangement as a whole such that the properties do not qualify as investment properties under IAS 40 'Investment Property'.

Revaluation/impairment

At 4 July 2021 independent chartered surveyors revalued the Group's effective freehold properties on an open market value basis. During the current and prior period various assets were also reviewed for impairment and/or material changes in value. These valuation adjustments were recognised in the revaluation reserve or the income statement as appropriate.

	2021 £m	2020 £m
Income statement:		
Impairment	(104.0)	(109.2)
Reversal of past impairment	22.3	–
	(81.7)	(109.2)
Revaluation reserve:		
Unrealised revaluation surplus	59.1	–
Reversal of past revaluation surplus	(105.0)	(151.2)
	(45.9)	(151.2)
Net decrease in shareholders' equity/property, plant and equipment	(127.6)	(260.4)

11 Property, plant and equipment (continued)

Fair value of effective freehold 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 tables below show the level in the fair value hierarchy into which the fair value measurements of effective freehold land and buildings have been categorised:

	2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Recurring fair value measurements				
Effective freehold land and buildings	–	–	1,529.9	1,529.9

	2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Recurring fair value measurements				
Effective freehold land and buildings	–	1,625.5	–	1,625.5

At 3 October 2020 the fair values of the effective freehold land and buildings were considered to fall within Level 2 of the fair value hierarchy. These fair values were obtained using a market approach, primarily using earnings multiples derived from prices in observed transactions involving comparable businesses. Whilst there are two inputs to the fair value measurement of the public house assets, being the fair maintainable trade and the multiple applied, it was considered that the most significant input related to the multiple which, being indirectly observable, is a Level 2 input. Thus it was concluded that since the most significant influence on the valuation was observable indirectly Level 2 was the most appropriate categorisation for these fair value measurements.

At 2 October 2021 it was considered that the unobservable Level 3 input for the fair maintainable trade was now also a significant input to the valuation and as such Level 3 was the most appropriate categorisation for these fair value measurements.

A reasonably possible increase of 10% in the multiple would increase the fair value by £163.1 million and a reasonably possible decrease of 10% in the multiple would decrease the fair value by £163.1 million. A reasonably possible increase of 4% in the fair maintainable trade would increase the fair value by £65.2 million and a reasonably possible decrease of 4% in the fair maintainable trade would decrease the fair value by £65.2 million. These are based on the top ends of observable multiples achieved in the market and historic movements in the average fair maintainable trade.



Notes continued

For the 52 weeks ended 2 October 2021

11 Property, plant and equipment (continued)

The Group's effective freehold land and buildings are revalued by external independent qualified valuers at least once in each rolling three year period. The last external valuation of the Group's effective freehold land and buildings was performed as at 4 July 2021. 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.

	2021 £m
Level 3 recurring fair value measurements	
At beginning of the period	–
Additions	20.2
Transfers	1,625.5
Disposals	(12.6)
Net transfers to assets held for sale	(2.6)
Revaluation gains and losses recognised in profit or loss	(54.6)
Revaluation gains and losses recognised in other comprehensive income	(45.9)
Depreciation charge for the period	(0.1)
At end of the period	1,529.9

Revaluation gains and losses recognised in profit or loss in respect of Level 3 recurring fair value measurements are included within operating expenses in the income statement and comprise net unrealised losses of £54.4 million and net realised losses of £0.2 million.

Impairment testing of leasehold properties

Leasehold properties, comprising leasehold land and buildings and associated fixtures, fittings, tools and equipment and computer software, are held under the cost model. These properties were reviewed for impairment in the current and prior period by comparing the recoverable amount of each property to the carrying amount of the assets.

Recoverable amount is the higher of value in use and fair value less costs to sell. The resulting impairments primarily related to properties with poor trading performance. The key assumptions used in the value in use calculations were the future trading cash flows of the properties, a pre-tax discount rate of 9.4% (2020: 8.4%) and a long-term growth rate of 1.5% (2020: 1.5%).

Changes in these key assumptions could impact the impairment charge recognised for these assets. The future trading cash flows used in the value in use calculations are property level EBITDA forecasts. If the forecast EBITDAs were to decline by 4.0% then there would be a £2.6 million increase in the impairment recognised. If the pre-tax discount rate were to increase by 2.0% it would increase the impairment by £9.5 million. If the long-term growth rate were to decrease by 0.5% it would increase the impairment by £2.9 million.

12 Interests in associates

On 30 October 2020 the Group acquired a 40% interest in Carlsberg Marston's Brewing Company Limited, from which date it has been the sole supplier of drinks to the Group. The principal place of business of Carlsberg Marston's Brewing Company Limited is the UK.

The tables below summarise the financial information of Carlsberg Marston's Brewing Company Limited as included in its own financial statements for the period from 30 October 2020 to 30 September 2021, adjusting for fair value adjustments at acquisition and differences in accounting policies.

	2021 £m
Non-current assets	264.2
Current assets	312.5
Current liabilities	(340.1)
Non-current liabilities	(45.8)
Net assets	190.8
Group's share of net assets (40%)	76.3
Goodwill	201.7
Elimination of unrealised profit on upstream sales	(0.6)
Carrying amount of interest in associate	277.4

	2021 £m
Revenue	628.6
Loss from continuing operations	(34.8)
Other comprehensive income	–
Total comprehensive expense	(34.8)
Group's share of loss from continuing operations (40%)	(13.9)
Elimination of unrealised profit on upstream sales	(0.6)
Loss from associates recognised in the income statement	(14.5)
Group's share of other comprehensive income (40%)	–
Group's share of total comprehensive expense	(14.5)



Notes continued

For the 52 weeks ended 2 October 2021

12 Interests in associates (continued)

Details of related party transactions with Carlsberg Marston's Brewing Company Limited are as follows:

	Transaction amount 2021 £m	Balance outstanding 2021 £m
Purchase of goods	(84.4)	(42.4)
Rendering of services	4.3	0.5
Settlement of liabilities on behalf on associate	281.3	78.3
Receipt of cash on behalf of associate	(437.7)	(62.7)

There is a transitional services agreement in place between the Group and Carlsberg Marston's Brewing Company Limited whereby the transactions for Marston's Beer Company Limited continue to be processed through the Group's systems and bank accounts.

All outstanding balances are to be settled in cash within six months and are unsecured.

Carlsberg Marston's Brewing Company Limited operates in a sector that has been disproportionately impacted by COVID-19. The loss from continuing operations of £34.8 million was considered an indicator of impairment of this investment and as such an impairment review was undertaken under IAS 36 'Impairment of Assets'. The recoverable amount was estimated on a value in use basis. This was based on forecast cash flows approved by the board of Carlsberg Marston's Brewing Company Limited and used a discount rate of 6.5%. The impairment review indicated there was significant headroom over the carrying amount. No reasonably possible change in the assumptions used would have resulted in an impairment.

13 Other non-current assets

	2021 £m	2020 £m
Finance lease receivables	15.9	17.5

Further detail regarding the impairment of finance lease receivables is provided in note 25.

14 Deferred tax

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 25% (2020: 19%). The movement on the deferred tax accounts is shown below:

	2021 £m	2020 £m
Net deferred tax (asset)/liability		
At beginning of the period (as originally reported)	(16.7)	58.1
Prior period adjustment	–	(3.6)
Adjustment for asset class split	–	(3.8)
At beginning of the period (as restated)	(16.7)	50.7
Adjustment for adoption of IFRS 16	–	(3.0)
(Credited)/charged to the income statement:		
Continuing operations	(42.3)	(33.8)
Discontinued operations	(0.7)	1.0
Charged/(credited) to equity:		
Impairment and revaluation of properties	9.8	(15.7)
Hedging reserve	(1.7)	0.3
Retirement benefits	2.5	(0.9)
Classified as held for sale and disposals	1.5	(15.3)
At end of the period	(47.6)	(16.7)
Recognised in the balance sheet		
Deferred tax liabilities (after offsetting)	–	–
Deferred tax assets (after offsetting)	(47.6)	(16.7)
	(47.6)	(16.7)



Notes continued

For the 52 weeks ended 2 October 2021

14 Deferred tax (continued)

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.

	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Other £m	Total £m
Deferred tax liabilities					
At 4 October 2020	26.3	38.2	7.4	–	71.9
Charged/(credited) to the income statement	3.2	(10.4)	–	5.0	(2.2)
Charged to equity	–	9.8	–	–	9.8
Classified as held for sale and disposals	1.1	–	–	–	1.1
At 2 October 2021	30.6	37.6	7.4	5.0	80.6

	Pensions £m	Tax losses £m	Hedging reserve £m	Interest rate swaps £m	Other £m	Total £m
Deferred tax assets						
At 4 October 2020	(70)	(29.7)	(25.5)	(15.5)	(10.9)	(88.6)
Charged/(credited) to the income statement	0.9	(20.5)	–	1.4	(22.6)	(40.8)
Charged/(credited) to equity	2.5	–	(1.7)	–	–	0.8
Classified as held for sale and disposals	–	0.8	–	–	(0.4)	0.4
At 2 October 2021	(3.6)	(49.4)	(27.2)	(14.1)	(33.9)	(128.2)

Net deferred tax asset

At 3 October 2020	(16.7)
At 2 October 2021	(47.6)

14 Deferred tax (continued)

	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Other £m	Total £m
Deferred tax liabilities					
At 29 September 2019 (as originally reported)	38.8	80.9	6.5	4.6	130.8
Prior period adjustment	–	(3.6)	–	–	(3.6)
Adjustment for asset class split	–	(3.8)	–	–	(3.8)
At 29 September 2019 (as restated)	38.8	73.5	6.5	4.6	123.4
Adjustment for adoption of IFRS 16	–	0.3	–	–	0.3
(Credited)/charged to the income statement	(6.4)	(15.5)	0.9	0.8	(20.2)
Credited to equity	–	(15.7)	–	–	(15.7)
Classified as held for sale and disposals	(6.1)	(4.4)	–	(5.4)	(15.9)
At 3 October 2020	26.3	38.2	7.4	–	71.9

	Pensions £m	Tax losses £m	Hedging reserve £m	Interest rate swaps £m	Other £m	Total £m
Deferred tax assets						
At 29 September 2019	(6.1)	(26.8)	(25.8)	(12.6)	(1.4)	(72.7)
Adjustment for adoption of IFRS 16	–	–	–	–	(3.3)	(3.3)
Credited to the income statement	–	(2.9)	–	(2.9)	(6.8)	(12.6)
(Credited)/charged to equity	(0.9)	–	0.3	–	–	(0.6)
Classified as held for sale and disposals	–	–	–	–	0.6	0.6
At 3 October 2020	(7.0)	(29.7)	(25.5)	(15.5)	(10.9)	(88.6)

Net deferred tax liability/(asset)

At 28 September 2019 (as restated)	50.7
At 3 October 2020	(16.7)

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.



Notes continued

For the 52 weeks ended 2 October 2021

14 Deferred tax (continued)

Determining the recoverability of the deferred tax asset in respect of trading items requires judgements to be made about the future profitability of the Group. The Group has generated significant tax losses in the current and prior period due to the impact of COVID-19 on its business operations, including enforced pub closures and restrictions on trading. It is the Directors' expectation that following the rollout of the vaccine and the removal of restrictions the Group will return to profitability. The base case forecast from the going concern assessment set out in note 1 was used to forecast future taxable profits, and allowing for a range of reasonably possible outcomes it is estimated that the deferred tax asset in respect of trading items will be recovered within a period of five to ten years. As such it has been recognised in full.

A deferred tax asset has not been recognised in respect of deductible temporary differences relating to capital losses of £73.2 million (2020: £25.8 million) due to uncertainty over its future recoverability.

15 Subsidiary undertakings

Details of the Group's subsidiary undertakings are provided in note 6 to the Company financial statements.

16 Inventories

	2021 £m	2020 £m
Raw materials and consumables	3.2	2.8
Finished goods	9.7	7.6
	12.9	10.4

17 Trade and other receivables

	2021 £m	2020 £m
Trade receivables	9.4	4.4
Prepayments and accrued income	8.7	6.0
Finance lease receivables	2.5	2.0
Contingent consideration	28.9	–
Other receivables	2.8	3.8
	52.3	16.2

Further detail regarding the impairment of trade receivables, finance lease receivables and other receivables is provided in note 25. Further detail regarding the fair value measurement of the contingent consideration is provided in note 25.

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

At 2 October 2021 the value of collateral held in the form of cash deposits was £5.6 million (2020: £6.0 million).

18 Assets and disposal groups held for sale

Assets held for sale	2021 £m	2020 £m
Properties	5.1	7.8
Disposal groups held for sale – assets	–	341.9
	5.1	349.7

Liabilities held for sale	2021 £m	2020 £m
Disposal groups held for sale – liabilities	–	111.0

Properties

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, if this was below their carrying amount. 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 classified as held for sale were reviewed for impairment or reversal of impairment. This review identified an impairment of £1.8 million (2020: £nil) which has been recognised in the income statement.

Disposal groups held for sale

In June 2020, the Company's shareholders approved a joint venture transaction involving the disposal of the Group's brewing operations. The transaction was subject to the approval of the competition authorities, which was obtained on 9 October 2020. The transaction subsequently completed on 30 October 2020.

The fair value less costs to sell of the disposal group was considered to be higher than its carrying amount and as such no impairment was recognised upon classification of the disposal group as held for sale.

At 3 October 2020 the assets and liabilities of the disposal group were as follows:

Assets	2020 £m
Goodwill	29.7
Other intangible assets	62.1
Property, plant and equipment	157.2
Trade loans	8.1
Inventories	33.9
Trade and other receivables	50.8
Cash and cash equivalents	0.1
	341.9



Notes continued

For the 52 weeks ended 2 October 2021

18 Assets and disposal groups held for sale (continued)

Liabilities	2020 £m
Borrowings	21.2
Trade and other payables	74.5
Deferred tax liabilities	15.3
	111.0

19 Borrowings

Current	2021 £m	2020 £m
Bank borrowings	(0.7)	(0.7)
Securitised debt	36.9	34.9
Lease liabilities	6.7	15.9
Other lease related borrowings	(0.4)	(0.4)
Other borrowings	25.0	15.0
	67.5	64.7

Non-current	2021 £m	2020 £m
Bank borrowings	188.9	268.2
Securitised debt	640.3	677.2
Lease liabilities	364.9	288.2
Other lease related borrowings	337.6	337.2
Other borrowings	40.0	40.0
Preference shares	0.1	0.1
	1,571.8	1,610.9

All bank borrowings are unsecured.

Other lease related borrowings represent amounts due under sale and leaseback arrangements that do not fall within the scope of IFRS 16 'Leases'. The Group has an option to repurchase each leased property for a nominal amount at the end of the lease. The leases have terms of 35 to 40 years and rents which are linked to RPI, subject to a cap and collar.

The Group has 75,000 (2020: 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.

19 Borrowings (continued)

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. The Group obtained certain covenant waivers from its lenders in the current and prior period as a result of the COVID-19 outbreak.

Maturity of borrowings

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

Due:	2021			2020		
	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m
Within one year	69.0	(1.5)	67.5	66.3	(1.6)	64.7
In more than one year but less than two years	47.9	(1.7)	46.2	45.9	(1.6)	44.3
In more than two years but less than five years	392.7	(3.0)	389.7	460.0	(3.7)	456.3
In more than five years	1,159.4	(23.5)	1,135.9	1,134.7	(24.4)	1,110.3
	1,669.0	(29.7)	1,639.3	1,706.9	(31.3)	1,675.6

Fair value of borrowings

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

	Carrying amount		Fair value	
	2021 £m	2020 £m	2021 £m	2020 £m
Bank borrowings	190.0	270.0	190.0	270.0
Securitised debt	680.6	716.0	614.7	543.8
Lease liabilities	371.6	304.1	371.6	304.1
Other lease related borrowings	361.7	361.7	361.7	361.7
Other borrowings	65.0	55.0	65.0	55.0
Preference shares	0.1	0.1	0.1	0.1
	1,669.0	1,706.9	1,603.1	1,534.7

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.



Notes continued

For the 52 weeks ended 2 October 2021

20 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 2 October 2021, 3 (2020: 156) of the securitised pubs were sold to third parties. The carrying amount of the securitised pubs at 2 October 2021 was £1,112.3 million (2020: £1,142.3 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 Group obtained certain covenant waivers from its bondholders in the current and prior period as a result of the COVID-19 outbreak.

The tranches of securitised debt have the following principal terms:

Tranche	2021 £m	2020 £m	Interest	Principal repayment period – by instalments	Expected average life	Expected maturity date
A2	183.9	209.2	Fixed/floating	2021 to 2027	6 years	2027
A3	200.0	200.0	Fixed/floating	2027 to 2032	11 years	2032
A4	141.7	151.8	Floating	2021 to 2031	10 years	2031
B	155.0	155.0	Fixed/floating	2032 to 2035	14 years	2035
	680.6	716.0				

The interest payable on each tranche is as follows:

Tranche	Before step up	After step up	Step up date
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

The Group has agreed with its bondholders to replace 3-month LIBOR with the compounded Sterling Overnight Index Average (SONIA) plus 0.1193% after the discontinuance of LIBOR.

All floating rate notes are economically hedged in full by the Group using interest rate swaps whereby all interest payments are swapped to fixed interest payable.

At 2 October 2021 Marston's Pubs Limited held cash of £25.8 million (2020: £25.6 million), which was governed by certain restrictions under the covenants associated with the securitisation. In addition, Marston's Issuer PLC held cash of £0.1 million (2020: £0.1 million).

21 Derivative financial instruments

	2021 £m	2020 £m
Interest rate swaps		
Current liabilities	–	(37.0)
Non-current liabilities	(170.5)	(187.4)
	(170.5)	(224.4)

Details of the Group's interest rate swaps are provided in note 25. Included within current liabilities above at 3 October 2020 was an amount of £19.8 million which related to interest rate swaps with a maturity of greater than 12 months. This has been reclassified to non-current liabilities in the current period.

22 Trade and other payables

	2021 £m	2020 £m
Trade payables	109.0	96.9
Other taxes and social security	32.3	46.5
Accruals and deferred income	65.3	66.4
Other payables	14.1	12.3
	220.7	222.1

The Group has deferred VAT payments of £15.9 million (2020: £31.8 million) under the UK government's scheme for the deferral of VAT payments due to COVID-19.

23 Provisions for other liabilities and charges

	2021 £m	2020 £m
Property leases		
At beginning of the period	8.8	22.3
Adjustment for adoption of IFRS 16	–	(14.6)
Released in the period	(0.2)	(1.0)
Provided in the period	3.7	3.0
Unwinding of discount	0.1	0.1
Utilised in the period	(1.3)	(1.0)
At end of the period	11.1	8.8

	2021 £m	2020 £m
Recognised in the balance sheet		
Current liabilities	1.5	1.1
Non-current liabilities	9.6	7.7
	11.1	8.8

Payments are expected to continue for periods of 1 to 48 years (2020: 1 to 49 years). There is not considered to be any significant uncertainty regarding the amount and timing of these payments.



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For the 52 weeks ended 2 October 2021

24 Other non-current liabilities

	2021 £m	2020 £m
Other liabilities	5.5	3.9

25 Financial instruments

Financial instruments by category

	Assets at fair value through profit or loss £m	Assets at amortised cost £m	Total £m
At 2 October 2021			
Assets as per the balance sheet			
Contingent consideration	28.9	–	28.9
Finance lease receivables (before provision)	–	22.3	22.3
Trade receivables (before provision)	–	10.2	10.2
Other receivables (before provision)	–	11.2	11.2
Other cash deposits	–	3.2	3.2
Cash and cash equivalents	–	32.2	32.2
	28.9	79.1	108.0

	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
At 2 October 2021				
Liabilities as per the balance sheet				
Derivative financial instruments	35.6	134.9	–	170.5
Borrowings	–	–	1,639.3	1,639.3
Trade payables	–	–	109.0	109.0
Other payables	–	–	14.1	14.1
	35.6	134.9	1,762.4	1,932.9

25 Financial instruments (continued)

	Assets at amortised cost £m	Total £m
At 3 October 2020		
Assets as per the balance sheet		
Finance lease receivables (before provision)	22.4	22.4
Trade receivables (before provision)	4.9	4.9
Other receivables (before provision)	12.5	12.5
Other cash deposits	2.0	2.0
Cash and cash equivalents	40.6	40.6
	82.4	82.4

	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
At 3 October 2020				
Liabilities as per the balance sheet				
Derivative financial instruments	47.9	176.5	–	224.4
Borrowings	–	–	1,675.6	1,675.6
Trade payables	–	–	96.9	96.9
Other payables	–	–	12.3	12.3
	47.9	176.5	1,784.8	2,009.2

Fair values of financial instruments

The only financial instruments which the Group holds at fair value are contingent consideration and 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.



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25 Financial instruments (continued)

The tables below show the level in the fair value hierarchy into which fair value measurements have been categorised:

	2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets as per the balance sheet				
Contingent consideration	–	28.9	–	28.9

	2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Liabilities as per the balance sheet				
Derivative financial instruments	–	170.5	–	170.5

	2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets as per the balance sheet				
Contingent consideration	–	–	–	–

	2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Liabilities as per the balance sheet				
Derivative financial instruments	–	224.4	–	224.4

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, adjusted for the Group's own credit risk. The Group utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date. The fair values are highly sensitive to the inputs to the valuations, such as discount rates, analysis of credit risk and yield curves. The range of estimation uncertainty arising from these valuation inputs is considered to be up to £66.2 million.

The Level 2 fair value of contingent consideration has been obtained using a market approach and reflects the estimated amount the Group expects to receive from Carlsberg Marston's Brewing Company Limited. There is an agreed formula for the amount of contingent consideration to be received which references the recovery of the share price performance as at 30 October 2021 of a pre-agreed basket of companies to pre-COVID-19 levels. The final agreed consideration value calculated at 30 October 2021 was £28.2 million.

The fair values of all the Group's other financial instruments are equal to their book values, with the exception of borrowings (note 19). The carrying amount less impairment provision of finance lease receivables, trade receivables and other receivables, and the carrying amount of other cash deposits, cash and cash equivalents, trade payables and other payables, are assumed to approximate their fair values.

25 Financial instruments (continued)

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 under policies approved by the Board. The treasury department identifies, evaluates and hedges financial risks. The Board sets 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 will often swap 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 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 2 October 2021, with all other variables held constant, the post-tax profit/(loss) for the period would have been £0.5 million (2020: £1.0 million) lower/higher (2020: higher/lower) as a result of higher/lower interest expense.

Interest rate swaps designated as part of a hedging relationship

The Group uses interest rate swaps to fix the interest rate payable on the floating rate tranches of its securitised debt. The interest rate swap in respect of the A4 tranche of securitised debt was designated as part of a hedging relationship in the current and prior period.



Notes continued

For the 52 weeks ended 2 October 2021

25 Financial instruments (continued)

This interest rate swap has the same critical terms as the associated securitised debt including reset dates, payment dates, maturities and notional amounts (note 20). The economic relationship between the forecast floating rate interest payments and the interest rate swap is determined and assessed through quantitative hedge effectiveness calculations performed at each reporting date, and upon a significant change in the circumstances affecting the hedge effectiveness requirements. As the interest rate swap has a notional amount profile the same as that of the principal amount profile of the securitised debt on which the floating rate interest is paid the hedge ratio is 1:1. Sources of ineffectiveness that might affect the hedging relationship are the Group's own credit risk, changes in the timing and amount of the interest payments and the recouping of the swap from a single fixed rate to a stepped profile.

The fixed rate of this interest rate swap at 2 October 2021 was 6.0% (2020: 6.0%).

	2021 £m	2020 £m
Interest rate swaps designated as part of a hedging relationship		
Carrying amount of hedging instruments (included within derivative financial instruments)	35.6	47.9
Change in fair value of hedging instruments used as the basis for recognising hedge ineffectiveness in the period	(3.5)	5.0
Nominal amount of hedging instruments	141.7	151.8
Change in fair value of hedged items used as the basis for recognising hedge ineffectiveness in the period	5.9	(3.8)
Hedging reserve balance in respect of continuing hedges	(22.9)	(35.4)
Hedging reserve balance in respect of discontinued hedges	(58.5)	(73.3)
Hedging gains/(losses) recognised in other comprehensive income	5.9	(3.8)
Hedge ineffectiveness losses recognised in profit or loss	(2.4)	(1.2)
Amount reclassified from the hedging reserve to profit or loss in respect of continuing hedges	7.2	6.7
Amount reclassified from the hedging reserve to profit or loss in respect of discontinued hedges	12.5	14.6

	2021 £m	2020 £m
Hedging reserve		
At beginning of the period	(108.7)	(125.9)
Hedging gains/(losses) recognised in other comprehensive income	5.9	(3.8)
Amount reclassified from the hedging reserve to profit or loss	19.7	21.3
Deferred tax on hedging reserve movements	1.7	(0.3)
At end of the period	(81.4)	(108.7)

Interest rate swaps not designated as part of a hedging relationship

On 22 March 2012 the Group entered into two forward starting interest rate swaps of £60.0 million each to fix the interest rate payable on the Group's bank borrowings. In the prior period the final termination date of one of the swaps was extended to 30 June 2031 and the terms were amended to fix interest at 2.8% until 30 November 2020 and 4.0% thereafter. This swap has an early termination date of 30 March 2024. The other swap was terminated on 2 November 2020. This swap had a fixed rate of 2.8% until 30 September 2019, with a rate of 3.9% thereafter.

25 Financial instruments (continued)

On 30 October 2017 the Group entered into a forward starting interest rate swap of £60.0 million to fix the interest rate payable on the Group's bank borrowings. This interest rate swap fixes interest at 2.2% and commences on 30 April 2025. There are early termination dates of 30 October 2022 and 1 November 2027. The final termination date is 30 April 2029.

On 27 March 2019 the Group recouped the interest rate swap that fixes the interest rate payable on the floating rate elements of its A2, A3 and B securitised notes. As a result, the hedging relationship between this interest rate swap and the associated debt ceased to meet the qualifying criteria for hedge accounting. The cumulative hedging loss existing in equity at 27 March 2019 remained in equity and is being recognised when the forecast transactions are ultimately recognised in the income statement. Fair value movements in respect of this interest rate swap after 27 March 2019 are being recognised within the income statement.

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

	2021			2020		
	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	516.7	1,152.3	1,669.0	566.7	1,140.2	1,706.9

The weighted average interest rate of the fixed rate borrowings was 5.2% (2020: 5.1%) and the weighted average period for which the rate is fixed was 15 years (2020: 14 years).

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures on its financial instruments to IBORs that will be replaced or reformed as part of these market-wide initiatives. These financial instruments comprise borrowings and interest rate swaps which are indexed to LIBOR (including those designated in cash flow hedging relationships).

The central treasury department monitors and manages the Group's transition to alternative rates and evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

The Group expects that LIBOR will be discontinued after the end of 2021. After this date the Group has now agreed with all its counterparties to replace LIBOR with the compounded Sterling Overnight Index Average (SONIA) with a credit spread. The Group applies the amendments to IFRS 9 'Financial Instruments' to those financial instruments and hedging relationships directly affected by IBOR reform.

Foreign currency risk:

The Group buys and sells goods denominated in non-sterling currencies, principally US dollars, Canadian 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.



Notes continued

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25 Financial instruments (continued)

Counterparty risk:

The Group's counterparty risk in respect of its cash and cash equivalents and other cash deposits 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.

The financial assets of the Group which are subject to the expected credit loss model under IFRS 9 'Financial Instruments' comprise finance lease receivables, trade receivables and other receivables. Other cash deposits and cash and cash equivalents are also subject to the impairment requirements of IFRS 9 however the impairment loss is immaterial.

Finance lease receivables, trade receivables and other receivables have been grouped as set out below for the purpose of calculating the expected credit losses:

	Gross		Loss allowance	
	2021 £m	2020 £m	2021 £m	2020 £m
Finance lease receivables				
Net investment in the lease	22.3	22.4	3.9	2.9
	22.3	22.4	3.9	2.9
Trade receivables				
Amounts due from current pub tenants	3.5	3.5	0.6	0.3
Miscellaneous trade receivables	6.7	1.4	0.2	0.2
	10.2	4.9	0.8	0.5
Other receivables				
Amounts due from previous pub tenants	8.4	8.6	8.2	8.4
Amounts due from other property tenants	1.0	0.8	0.1	0.1
Miscellaneous other receivables	1.8	3.1	0.1	0.2
	11.2	12.5	8.4	8.7
	43.7	39.8	13.1	12.1

25 Financial instruments (continued)

Expected credit losses have been calculated as follows:

	Gross		Loss allowance	
	2021 £m	2020 £m	2021 £m	2020 £m
12-month expected credit losses	1.8	3.1	0.1	0.2
Lifetime expected credit losses for trade and lease receivables	41.9	36.7	13.0	11.9
	43.7	39.8	13.1	12.1

Finance lease receivables

Finance lease receivables are lease receivables that result from transactions that are within the scope of IFRS 16 'Leases' and as such the loss allowance is calculated as the lifetime expected credit losses. For tenants where it is considered that there is a significant risk of default the expected credit losses are calculated on an individual basis taking into account the circumstances involved. For all other tenants, after accounting for collateral held in the form of cash deposits and the value of the leased asset itself, the remaining balance due is low and as such the expected credit losses are minimal.

Amounts due from pub tenants

Amounts due from current pub tenants result almost entirely from transactions that are within the scope of IFRS 15 'Revenue from Contracts with Customers' or are lease receivables that result from transactions that are within the scope of IFRS 16, and as such the loss allowance is calculated as the lifetime expected credit losses. After accounting for collateral held in the form of cash deposits the remaining balance due is low and as such the expected credit losses are minimal.

Amounts due from previous pub tenants predominantly result from transactions that are within the scope of IFRS 15 or are lease receivables that result from transactions that are within the scope of IFRS 16 and as such the loss allowance is calculated as the lifetime expected credit losses. The historical loss rate on closed accounts, adjusted to reflect current and forward-looking information regarding macroeconomic factors affecting customers' ability to pay, such as the impact of COVID-19 and Brexit and forecasts of the UK's GDP, is used to measure the expected credit losses on these receivables.

Miscellaneous trade receivables

Miscellaneous trade receivables result almost entirely from transactions that are within the scope of IFRS 15 and as such the loss allowance is calculated as the lifetime expected credit losses. Due to the very low credit risk on the majority of these receivables the expected credit losses are minimal.



Notes continued

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25 Financial instruments (continued)

Amounts due from other property tenants

Amounts due from other property tenants are almost entirely lease receivables that result from transactions that are within the scope of IFRS 16 and as such the loss allowance is calculated as the lifetime expected credit losses. For tenants where it is considered that there is a significant risk of default the expected credit losses are calculated on an individual basis taking into account the circumstances involved. For all other tenants, after accounting for collateral held in the form of cash deposits, the remaining balance due is low and as such the expected credit losses are minimal.

Miscellaneous other receivables

Miscellaneous other receivables do not generally result from transactions that are within the scope of IFRS 15 and do not comprise lease receivables resulting from transactions that are within the scope of IFRS 16. These receivables are considered to have low credit risk and as such the loss allowance is calculated as the 12-month expected credit losses. Receivables are considered to have low credit risk where there is a low risk of default and it is expected that the debtor will be able to meet its payment obligations in the near future.

The movements in the loss allowances for finance lease receivables, trade receivables and other receivables are as follows:

	2021 £m	2020 £m
Finance lease receivables		
At beginning of the period	2.9	–
Net increase in loss allowance recognised in profit or loss	1.0	2.9
At end of the period	3.9	2.9

	2021 £m	2020 £m
Trade receivables		
At beginning of the period	0.5	2.7
Net increase in loss allowance recognised in profit or loss	0.3	2.9
Amounts written off as uncollectible	–	(1.2)
Classified as held for sale and disposals	–	(3.9)
At end of the period	0.8	0.5

	12-month expected credit losses		Lifetime expected credit losses	
	2021 £m	2020 £m	2021 £m	2020 £m
Other receivables				
At beginning of the period	0.2	0.2	8.5	8.9
Net decrease in loss allowance recognised in profit or loss	(0.1)	–	–	(0.1)
Amounts written off as uncollectible	–	–	(0.2)	(0.3)
At end of the period	0.1	0.2	8.3	8.5

25 Financial instruments (continued)

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, the Group maintains the availability of committed credit lines to ensure that it has flexibility in funding.

Management monitor 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.

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 2 October 2021					
Borrowings	134.7	116.3	572.9	1,956.4	2,780.3
Derivative financial instruments	17.4	15.9	53.4	140.8	227.5
Trade payables	109.0	–	–	–	109.0
Other payables	14.1	–	–	–	14.1
	275.2	132.2	626.3	2,097.2	3,130.9

	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
At 3 October 2020					
Borrowings	132.8	104.7	585.8	1,932.3	2,755.6
Derivative financial instruments	40.6	18.9	71.5	169.5	300.5
Trade payables	96.9	–	–	–	96.9
Other payables	12.3	–	–	–	12.3
	282.6	123.6	657.3	2,101.8	3,165.3



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For the 52 weeks ended 2 October 2021

26 Retirement benefits

During the period the Group contributed to a funded defined benefit pension plan and a number of defined contribution pension plans. These plans are considered to be related parties of the Group.

Defined contribution plans

Pension costs for defined contribution plans are as follows:

	2021 £m	2020 £m
Defined contribution plans	6.1	9.9

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

26 Retirement benefits (continued)

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 deficit	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
At beginning of the period	531.1	534.4	(568.3)	(570.8)	(37.2)	(36.4)
Past service cost	–	–	(0.5)	–	(0.5)	–
Interest income/(expense)	8.9	9.5	(9.5)	(10.1)	(0.6)	(0.6)
Remeasurements:						
Return on plan assets (excluding interest income)	3.2	3.0	–	–	3.2	3.0
Effect of changes in financial assumptions	–	–	5.1	(7.8)	5.1	(7.8)
Effect of changes in demographic assumptions	–	–	(0.8)	(1.8)	(0.8)	(1.8)
Effect of experience adjustments	–	–	9.9	–	9.9	–
Cash flows:						
Employer contributions	7.5	7.3	–	–	7.5	7.3
Administrative expenses paid from plan assets	(1.0)	(0.9)	–	–	(1.0)	(0.9)
Benefits paid	(21.9)	(22.2)	21.9	22.2	–	–
At end of the period	527.8	531.1	(542.2)	(568.3)	(14.4)	(37.2)

Pension costs recognised in the income statement

A charge of £0.5 million (2020: £nil) comprising the past service cost is included within employee costs, a charge of £0.6 million (2020: £0.6 million) comprising the net interest on the net defined benefit asset/liability is included within non-underlying finance costs and a charge of £1.0 million (2020: £0.9 million) comprising the administrative expenses paid from plan assets is included within finance costs.

On 26 October 2018 a High Court ruling indicated that Guaranteed Minimum Pensions must be equalised for men and women. On 20 November 2020 a further High Court ruling indicated that historic cash equivalent transfer values that were calculated on an unequalised basis should be topped up if an affected member makes a successful claim. This additional requirement has been reflected in the calculation of the Group's net defined benefit asset/liability in the current period and the resulting additional past service cost of £0.5 million has been classified as a non-underlying item (note 4).



Notes continued

For the 52 weeks ended 2 October 2021

26 Retirement benefits (continued)

It is considered that contributions payable under a minimum funding requirement would be available as a refund or reduction in future contributions after they are paid into the plan. As such 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.

An updated actuarial valuation of the plan was performed by Mercer as at 2 October 2021 for the purposes of IAS 19 'Employee Benefits'. The principal assumptions made by the actuaries were:

	2021	2020
Discount rate	2.0%	1.7%
Rate of increase in pensions – 5% LPI	3.2%	2.8%
Rate of increase in pensions – 2.5% LPI	2.1%	2.0%
Inflation assumption (RPI)	3.4%	2.9%
Inflation assumption (CPI)	2.6%	2.1%
Employed deferred revaluation	2.6%	2.1%
Life expectancy for deferred members from age 65 (years)		
Male	22.7	22.7
Female	25.4	25.3
Life expectancy for current non-insured pensioners from age 65 (years)		
Male	20.9	20.9
Female	23.6	23.5
Life expectancy for current insured pensioners from age 65 (years)		
Male	21.6	21.6
Female	23.9	23.9

The Group changed its methodology for determining the CPI inflation assumption in the prior period. This increased the present value of the defined benefit obligation by £3.7 million.

Mortality assumptions are based on standard tables adjusted for plan experience and with an allowance for future improvement in life expectancy. These assumptions have not been adjusted for the impact of COVID-19 given the uncertainty over the long-term impact of the pandemic.

26 Retirement benefits (continued)

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 3.7%	Increase by 4.0%
Inflation assumption	0.25%	Increase by 1.9%	Decrease by 1.8%
Life expectancy	One year	Increase by 4.6%	Decrease by 4.5%

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.

	2021 £m	2020 £m
Plan assets		
Equities	94.2	76.5
Bonds/Gilts	116.7	135.9
Cash/Other	75.3	58.8
Buy-in policies (matching annuities)	241.6	259.9
	527.8	531.1

The actual return on plan assets was a gain of £12.1 million (2020: £12.5 million).

A proportion of the defined benefit obligation has been secured by buy-in policies 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.

The Group is aiming to eliminate the plan's funding deficit in the medium term. A schedule of contributions was agreed as part of the 30 September 2020 triennial valuation and contributions of £0.5 million per month are payable until 30 November 2025. Contributions are also payable in respect of the plan's expenses. The next triennial valuation will be performed as at 30 September 2023.

The employer contributions expected to be paid during the financial period ending 1 October 2022 amount to £7.5 million.

The weighted average duration of the defined benefit obligation is 16 years.

Post-retirement medical benefits

A gain of £0.1 million (2020: £0.1 million) in respect of the remeasurement of post-retirement medical benefits has been included in the statement of comprehensive income.



Notes continued

For the 52 weeks ended 2 October 2021

27 Share-based payments

During the period there were three classes of equity-settled employee share incentive plans outstanding:

- 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 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.
- Deferred bonus. Under this scheme nil cost options are granted to eligible employees in lieu of a cash bonus. Exercise of options is subject to a period of continued employment.
- 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, cash flow, return on capital and relative total shareholder return 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	
	2021 m	2020 m	2021 p	2020 p
SAYE:				
Outstanding at beginning of the period	3.6	7.1	97.3	98.2
Exercised	(0.1)	–	89.2	102.0
Expired	(2.0)	(3.5)	101.3	99.1
Outstanding at end of the period	1.5	3.6	92.4	97.3
Exercisable at end of the period	0.9	0.8	89.5	113.4
Range of exercise prices	89.0p to 124.0p	89.0p to 136.0p		
Weighted average remaining contractual life (years)	0.8	1.5		

27 Share-based payments (continued)

	Number of shares		Weighted average exercise price	
	2021 m	2020 m	2021 p	2020 p
Deferred bonus:				
Outstanding at beginning of the period	0.4	0.4	–	–
Granted	0.3	–	–	–
Exercised	(0.3)	–	–	–
Outstanding at end of the period	0.4	0.4	–	–
Exercisable at end of the period	–	0.2	–	–

	Number of shares		Weighted average exercise price	
	2021 m	2020 m	2021 p	2020 p
LTIP:				
Outstanding at beginning of the period	7.3	7.2	–	–
Granted	2.5	2.3	–	–
Expired	(2.2)	(2.2)	–	–
Outstanding at end of the period	7.6	7.3	–	–
Exercisable at end of the period	–	–	–	–

LTIP and deferred bonus options are exercisable no later than the tenth anniversary of the date of grant.

The fair values of the SAYE, deferred bonus 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:

	2021	2020
Dividend yield %	–	6.2
Expected volatility %	75.0 to 85.4	23.4
Risk-free interest rate %	0.1 to 0.3	0.6
Expected life of rights		
SAYE	N/A	N/A
Deferred bonus	3 years	N/A
LTIP	5 years	5 years

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



Notes continued

For the 52 weeks ended 2 October 2021

27 Share-based payments (continued)

No options were granted in the current or prior period in relation to the SAYE. The fair value of options granted during the current period in relation to the deferred bonus scheme was 97.0p. No options were granted in the prior period in relation to the deferred bonus scheme. The fair value of options granted during the period in relation to the LTIP was 97.0p (2020: 90.7p).

The weighted average share price for options exercised over the period was 88.7p (2020: 122.7p). The total charge for the period relating to employee share-based payment plans was £1.2 million (2020: £0.4 million), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £1.1 million (2020: £0.5 million).

28 Equity share capital

	2021		2020	
	Number m	Value £m	Number m	Value £m
Allotted, called up and fully paid				
Ordinary shares of 7.375p each:				
At beginning and end of the period	660.4	48.7	660.4	48.7

29 Other components of equity

The merger reserve arose on the issue of ordinary shares in the period ended 30 September 2017 and represented the difference between the nominal value of the shares issued and the net proceeds received. Following the disposal of the Group's brewing operations in the current period the remaining balance of the reserve was realised and consequently transferred to retained earnings.

The capital redemption reserve of £6.8 million (2020: £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.

	2021		2020	
	Number m	Value £m	Number m	Value £m
Shares held on trust for employee share schemes	1.1	1.3	1.4	1.7
Treasury shares	26.2	109.8	26.3	110.2
	27.3	111.1	27.7	111.9

The market value of own shares held is £22.8 million (2020: £11.4 million). Shares held on trust for employee share schemes represent 0.2% (2020: 0.2%) of issued share capital. Treasury shares held represent 4.0% (2020: 4.0%) of issued share capital. Dividends on own shares have been waived.

29 Other components of equity (continued)

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 objectives are 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.

30 Net debt

	2021 £m	2020 £m
Analysis of net debt		
Cash and cash equivalents		
Cash at bank and in hand	32.2	40.6
	32.2	40.6
Financial assets		
Other cash deposits	3.2	2.0
	3.2	2.0
Debt due within one year		
Bank borrowings	0.7	0.7
Securitised debt	(36.9)	(34.9)
Lease liabilities	(6.7)	(15.9)
Other lease related borrowings	0.4	0.4
Other borrowings	(25.0)	(15.0)
	(67.5)	(64.7)
Debt due after one year		
Bank borrowings	(188.9)	(268.2)
Securitised debt	(640.3)	(677.2)
Lease liabilities	(364.9)	(288.2)
Other lease related borrowings	(337.6)	(337.2)
Other borrowings	(40.0)	(40.0)
Preference shares	(0.1)	(0.1)
	(1,571.8)	(1,610.9)
Net debt	(1,603.9)	(1,633.0)

Other cash deposits comprises deposits securing letters of credit for reinsurance contracts. Included within cash and cash equivalents is an amount of £5.6 million (2020: £6.0 million) relating to collateral held in the form of cash deposits. These amounts are both 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 20).



Notes continued

For the 52 weeks ended 2 October 2021

30 Net debt (continued)

	2021 £m	2020 £m
Reconciliation of net cash flow to movement in net debt		
(Decrease)/increase in cash and cash equivalents in the period	(8.5)	3.1
Increase in other cash deposits	1.2	–
Disposals	0.1	–
Cash outflow from movement in debt	125.3	47.4
Change in debt resulting from cash flows	118.1	50.5
Non-cash movements and deferred issue costs	(88.9)	(10.6)
Disposals and classified as held for sale	(0.1)	21.1
Movement in net debt in the period	29.1	61.0
Net debt at beginning of the period	(1,633.0)	(1,398.7)
Adjustment for adoption of IFRS 16	–	(295.3)
Net debt at end of the period	(1,603.9)	(1,633.0)
	2021 £m	2020 £m
Net debt excluding lease liabilities	(1,232.3)	(1,328.9)
Lease liabilities	(371.6)	(304.1)
Net debt	(1,603.9)	(1,633.0)

Changes in liabilities arising from financing activities are as follows:

	2021			2020		
	Borrowings £m	Derivative financial instruments £m	Total financing liabilities £m	Borrowings £m	Derivative financial instruments £m	Total financing liabilities £m
At beginning of the period	(1,675.6)	(224.4)	(1,900.0)	(1,438.3)	(235.5)	(1,673.8)
Adjustment for adoption of IFRS 16	–	–	–	(295.3)	–	(295.3)
Cash flow	125.3	40.3	165.6	47.4	19.8	67.2
Changes in fair value	–	15.9	15.9	–	(8.7)	(8.7)
Other changes	(89.0)	(2.3)	(91.3)	10.6	–	10.6
At end of the period	(1,639.3)	(170.5)	(1,809.8)	(1,675.6)	(224.4)	(1,900.0)

31 Working capital and non-cash movements

	2021 £m	2020 £m
Working capital movement		
Decrease/(increase) in inventories	2.9	(0.7)
(Increase)/decrease in trade and other receivables	(12.7)	18.5
Increase in trade and other payables	3.4	54.1
	(6.4)	71.9
	2021 £m	2020 £m
Non-cash movements		
Income from other non-current assets	–	(0.2)
Movements in respect of property, plant and equipment, assets held for sale and intangible assets	84.6	131.2
Loss from associates	14.5	–
Impairment of goodwill	–	200.6
Non-cash movements in respect of leases	0.3	2.1
Share-based payments	1.2	0.4
	100.6	334.1

Further details of movements in respect of property, plant and equipment, assets held for sale and intangible assets are given in notes 10, 11 and 18.

32 Ordinary dividends on equity shares

	2021 £m	2020 £m
Paid in the period		
Final dividend for 2020 of nil per share (2019: 4.8p)	–	30.4
Interim dividend for 2021 of nil per share (2020: nil)	–	–
	–	30.4

A final dividend for 2021 has not been proposed.



Notes continued

For the 52 weeks ended 2 October 2021

33 Leases

The Group as lessee

The Group leases a number of its properties. Right-of-use assets in respect of leasehold land and buildings with a term exceeding 100 years at acquisition/commencement of the lease or where there is an option to purchase the freehold at the end of the lease term for a nominal amount are classed as effective freehold land and buildings within property, plant and equipment. Right-of-use assets in respect of any other leasehold land and buildings are classed as leasehold land and buildings within property, plant and equipment. The Group's property leases have various terms, escalation clauses and renewal rights. A number of the leases include variable payments that depend on changes in RPI, often subject to a cap and collar.

The Group also leases certain items of plant and machinery and fixtures, fittings, tools and equipment. These are generally held under leases with terms of five years or less and in some cases contain an option to purchase the asset for a nominal amount at the end of the lease.

	2021 £m	2020 £m
Depreciation charge for right-of-use assets		
Effective freehold land and buildings	–	–
Leasehold land and buildings	11.5	10.6
Plant and machinery	–	0.4
Fixtures, fittings, tools and equipment	0.2	0.2
	11.7	11.2

	2021 £m	2020 £m
Carrying amount of right-of-use assets		
Effective freehold land and buildings	62.2	71.7
Leasehold land and buildings	287.2	231.9
Plant and machinery	–	–
Fixtures, fittings, tools and equipment	0.9	1.0
	350.3	304.6

	2021 £m	2020 £m
Interest expense on lease liabilities	17.7	16.1
Expenses relating to short-term leases	0.6	0.6
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	0.6	0.4
COVID-19 rent concessions recognised in profit or loss	0.1	–
Income from subleasing right-of-use assets	0.6	0.5
Total cash outflow for leases	41.4	25.3
Additions to right-of-use assets	93.0	6.4

33 Leases (continued)

The table below analyses the Group's lease liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2021 £m	2020 £m
Less than one year	25.4	31.1
Between one and two years	26.9	23.4
Between two and five years	83.2	67.3
Over five years	583.1	482.8
	718.6	604.6

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. For leases where the Group is the intermediate lessor certain subleases were reclassified as finance leases upon adoption of IFRS 16 'Leases' as the classification was determined by reference to the right-of-use asset arising from the head lease rather than the underlying asset. All other leases continue to be classified as operating leases from a lessor perspective.

Amounts recognised in the income statement are as follows:

	2021 £m	2020 £m
Finance income on the net investment in the lease	0.9	1.0
Lease income for operating leases	5.6	9.7

The maturity analysis of the undiscounted lease payments to be received for finance leases is as follows:

	2021 £m	2020 £m
Finance leases		
Within one year	7.2	5.8
In more than one year but less than two years	2.7	2.9
In more than two years but less than three years	2.5	2.6
In more than three years but less than four years	2.2	2.4
In more than four years but less than five years	2.0	2.1
In more than five years	10.7	12.3
	27.3	28.1
Unearned finance income	(5.0)	(5.7)
Net investment in the lease	22.3	22.4



Notes continued

For the 52 weeks ended 2 October 2021

33 Leases (continued)

The maturity analysis of the undiscounted lease payments to be received for operating leases is as follows:

Operating leases	2021 £m	2020 £m
Within one year	11.0	11.6
In more than one year but less than two years	9.7	9.9
In more than two years but less than three years	7.4	8.7
In more than three years but less than four years	5.4	6.3
In more than four years but less than five years	4.1	4.3
In more than five years	17.0	16.3
	54.6	57.1

34 Contingent assets, contingent liabilities and financial commitments

The Group has submitted claims to HM Revenue & Customs (HMRC) in respect of the VAT treatment of gaming machines from 1 January 2006 to 31 January 2013. The claims are at an early stage with detailed information gathering underway to support the claims made. After taking account of adjustments for partial exemption and the capital goods scheme the amount recoverable is unlikely to be material.

The Group has issued letters of credit totalling £3.6 million (2020: £2.4 million) to secure reinsurance contracts. Certain of these letters of credit are secured on fixed deposits (note 30).

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.



Company Balance Sheet

As at 2 October 2021

	Note	2 October 2021 £m	3 October 2020 £m
Fixed assets			
Tangible assets	5	187.1	307.7
Investments	6	263.3	162.9
		450.4	470.6
Current assets			
Debtors			
Amounts falling due within one year	7	523.7	540.1
Amounts falling due after more than one year	7	536.9	334.8
Cash at bank		3.0	14.0
		1,063.6	888.9
Creditors Amounts falling due within one year	8	(691.7)	(756.2)
Net current assets		371.9	132.7
Total assets less current liabilities		822.3	603.3
Creditors Amounts falling due after more than one year	8	(174.6)	(180.2)
Provisions for liabilities	9	(5.6)	(8.4)
Net assets		642.1	414.7
Capital and reserves			
Equity share capital	13	48.7	48.7
Share premium account	14	334.0	334.0
Revaluation reserve	14	19.5	39.1
Merger reserve	14	–	23.7
Capital redemption reserve	14	6.8	6.8
Own shares	14	(111.1)	(111.9)
Profit and loss reserves		344.2	74.3
Total equity		642.1	414.7

The profit of the Company for the 52 weeks ended 2 October 2021 was £234.1 million (2020: loss of £277.3 million).

The financial statements were approved by the Board and authorised for issue on 30 November 2021 and are signed on its behalf by:

Andrew Andrea

Chief Executive Officer

30 November 2021

Company registration number: 31461



Company Statement of Changes in Equity

For the 52 weeks ended 2 October 2021

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Merger reserve £m	Capital redemption reserve £m	Own shares £m	Profit and loss reserves £m	Total equity £m
At 29 September 2019 (as originally reported)	48.7	334.0	72.6	23.7	6.8	(112.0)	978.6	1,352.4
Subordinated loan adjustment	-	-	-	-	-	-	(602.2)	(602.2)
Deferred tax adjustment	-	-	-	-	-	-	3.6	3.6
Adjustment for asset class split	-	-	(10.1)	-	-	-	0.3	(9.8)
Tax impact of asset class split	-	-	1.3	-	-	-	-	1.3
At 29 September 2019 (as restated)	48.7	334.0	63.8	23.7	6.8	(112.0)	380.3	745.3
Loss for the period	-	-	-	-	-	-	(277.3)	(277.3)
Revaluation of properties	-	-	(26.7)	-	-	-	-	(26.7)
Deferred tax on properties	-	-	3.4	-	-	-	-	3.4
Total comprehensive expense	-	-	(23.3)	-	-	-	(277.3)	(300.6)
Share-based payments	-	-	-	-	-	-	0.4	0.4
Sale of own shares	-	-	-	-	-	0.1	(0.1)	-
Transfer to profit and loss reserves	-	-	(1.4)	-	-	-	1.4	-
Dividends paid	-	-	-	-	-	-	(30.4)	(30.4)
Total transactions with owners	-	-	(1.4)	-	-	0.1	(28.7)	(30.0)
At 3 October 2020	48.7	334.0	39.1	23.7	6.8	(111.9)	74.3	414.7
Profit for the period	-	-	-	-	-	-	234.1	234.1
Revaluation of properties	-	-	(8.5)	-	-	-	-	(8.5)
Deferred tax on properties	-	-	0.5	-	-	-	-	0.5
Total comprehensive (expense)/income	-	-	(8.0)	-	-	-	234.1	226.1
Share-based payments	-	-	-	-	-	-	1.2	1.2
Sale of own shares	-	-	-	-	-	0.8	(0.7)	0.1
Transfer to profit and loss reserves	-	-	(11.6)	(23.7)	-	-	35.3	-
Total transactions with owners	-	-	(11.6)	(23.7)	-	0.8	35.8	1.3
At 2 October 2021	48.7	334.0	19.5	-	6.8	(111.1)	344.2	642.1



Notes

For the 52 weeks ended 2 October 2021

1 Accounting policies

The Company's principal accounting policies are set out below:

Company information

Marston's PLC is a public company limited by shares incorporated in England and Wales and domiciled in the UK. The registered office is Marston's House, Brewery Road, Wolverhampton WV1 4JT.

Basis of preparation

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £0.1 million.

The financial statements have been prepared under the historical cost convention modified to include the revaluation of effective freehold land and buildings and the holding of certain financial instruments at fair value.

The Company is a qualifying entity for the purposes of FRS 102, as it prepares publicly available consolidated financial statements, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Company has therefore taken advantage of the exemptions from the following disclosure requirements in FRS 102:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flows and related notes and disclosures;
- Section 11 'Basic Financial Instruments' – Interest income/expense and net gains/losses for each category of financial instrument not measured at fair value through profit or loss, impairment losses for each class of financial asset and information that enables users to evaluate the significance of financial instruments;
- Section 26 'Share-based Payment' – Reconciliation of the opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, and an explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

These financial statements present information about the Company as an individual entity and not about its group.

As permitted by section 408(3) of the Companies Act 2006, no profit and loss account has been presented for the Company.

The Directors continue to adopt the going concern basis of accounting in preparing the financial statements. Details of the going concern assessment performed by the Group are provided in note 1 to the Group financial statements.

Turnover

Turnover represents rent receivable, which is recognised over time and in the period to which it relates.

1 Accounting policies (continued)

Current and deferred tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the accounts because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Fixed assets

- Land and buildings which are either freehold or are in substance freehold assets are classed as effective freehold land and buildings. This includes leasehold land and buildings with a term exceeding 100 years at acquisition/commencement of the lease or where there is an option to purchase the freehold at the end of the lease term for a nominal amount. All other leasehold land and buildings are classed as leasehold land and buildings.
- Effective freehold land and buildings are initially stated at cost and subsequently at valuation. Leasehold land and buildings and 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 or valuation of the assets less their residual values over their useful lives.
- Land and buildings are depreciated to their residual values over the lower of the lease term (where applicable) and 50 years.
- Fixtures, fittings, plant and equipment are depreciated over seven years.
- Interest costs directly attributable to capital projects are capitalised.

Effective freehold land and buildings are revalued by qualified valuers at least once in each rolling three year period, on an open market value basis. External valuations are 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.



Notes continued

For the 52 weeks ended 2 October 2021

1 Accounting policies (continued)

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.

Disposals of fixed assets

Profit/loss on disposal of fixed assets represents net sale proceeds less the carrying value of the assets. Any element of the revaluation reserve relating to the fixed assets disposed of is transferred to profit and loss reserves at the date of sale.

Financial instruments

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the balance sheet when the Company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which comprise amounts owed by Group undertakings, other debtors and cash and cash equivalents, are initially measured at the transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method.

Other financial assets

Derivatives, including interest rate swaps, are not basic financial assets and are accounted for as set out below.

Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Company transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1 Accounting policies (continued)

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, comprising amounts owed to Group undertakings, other creditors and borrowings, are initially recognised at the transaction price and subsequently carried at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps, are not basic financial liabilities and are accounted for as set out below.

Financial liabilities are derecognised when the Company's contractual obligations expire or are discharged or cancelled.

Derivatives

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.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Leases

Leases are classified as finance leases whenever 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.

Assets held under finance leases are recognised as assets at the lower of the assets' fair value at the date of inception of the lease and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to the profit and loss account on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 Section 20 'Leases' of FRS 102 are classified as other lease related borrowings and accounted for as secured loans on an amortised cost basis.



Notes continued

For the 52 weeks ended 2 October 2021

1 Accounting policies (continued)

Investments in subsidiaries

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation for which the estimates of future cash flows have not been adjusted. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

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

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.

There is a 12.5% subordinated loan owed to the Company by Marston's Pubs Limited and there are deep discount bonds owed by the Company to Banks's Brewery Insurance 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 and deep discount bonds, repayable on demand.

2 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following estimates and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

Tangible fixed assets

The Company carries its effective freehold land and buildings at fair value. These properties are valued by external or internal valuers on an open market value basis, primarily using earnings multiples derived from prices in observed transactions involving comparable businesses. The estimation of the fair values requires a combination of assumptions, including future earnings and appropriate multiples.

The carrying amount of tangible fixed assets is shown in note 5.

Property lease provisions

The amount provided in respect of onerous property leases is dependent on a number of assumptions including market rents, vacant periods, inflation rates and discount rates. The assumptions made reflect historical experience and current trends and rates.

The amount provided for onerous property leases is shown in note 9.

Valuation of interest rate swaps

The Company's interest rate swaps are held at fair value. The Company utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date. The fair values are highly sensitive to the inputs to the valuations, such as discount rates, analysis of credit risk and yield curves.

The carrying amount of the interest rate swaps is shown in note 10.

Subordinated loan

The 12.5% subordinated loan due from Marston's Pubs Limited is held at amortised cost less any accumulated impairment losses. The key assumptions in determining the amount of the impairment losses are the expected future cash flows of Marston's Pubs Limited, the impact of the restricted payment condition on the ability of Marston's Pubs Limited to make repayments and the residual values of Marston's Pubs Limited's properties in 2035 when it will have repaid all its superior borrowings.

The carrying amount of the subordinated loan is shown in note 7.



Notes continued

For the 52 weeks ended 2 October 2021

3 Auditor's remuneration

Fees payable to the Company's Auditor 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 Auditor 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.

4 Employees

The average monthly number of people employed by the Company during the period was nil (2020: nil).

5 Tangible fixed assets

	Effective freehold land and buildings £m	Leasehold land and buildings £m	Fixtures, fittings, plant and equipment £m	Total £m
Cost or valuation				
At 4 October 2020	267.3	32.5	46.0	345.8
Additions	3.8	0.6	–	4.4
Revaluation	(23.2)	–	–	(23.2)
Disposals	(75.9)	(0.2)	(44.8)	(120.9)
At 2 October 2021	172.0	32.9	1.2	206.1
Depreciation				
At 4 October 2020	1.2	17.7	19.2	38.1
Charge for the period	–	1.1	0.2	1.3
Impairment	–	(0.1)	–	(0.1)
Disposals	(1.2)	–	(19.1)	(20.3)
At 2 October 2021	–	18.7	0.3	19.0
Net book amount at 3 October 2020	266.1	14.8	26.8	307.7
Net book amount at 2 October 2021	172.0	14.2	0.9	187.1

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

	2021 £m	2020 £m
Freehold land and buildings	123.9	210.9
Leasehold land and buildings with a term greater than 100 years at acquisition/commencement	48.1	55.2
Leasehold land and buildings with a term less than 100 years at acquisition/commencement	14.2	14.8
	186.2	280.9

5 Tangible fixed assets (continued)

If the effective freehold land and buildings had not been revalued, the historical cost net book amount would be £146.6 million (2020: £220.2 million).

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £0.4 million (2020: £0.2 million).

The net book amount of effective freehold land and buildings held under finance leases at 2 October 2021 was £15.3 million (2020: £18.4 million). The net book amount of effective freehold land and buildings held as part of sale and leaseback arrangements that do not fall within the scope of Section 20 'Leases' of FRS 102 was £80.7 million (2020: £94.0 million). The net book amount of fixtures, fittings, plant and equipment held under finance leases was £0.9 million (2020: £1.0 million). The net book amount of fixtures, fittings, plant and equipment held as security for bank borrowings was £nil (2020: £6.7 million).

The Company has charged effective freehold land and buildings with a value of £3.3 million (2020: £4.0 million) in favour of the Marston's PLC Pension and Life Assurance Scheme (the 'Scheme') as continuing security for the Group's obligations to the Scheme.

Revaluation/impairment

At 4 July 2021 independent chartered surveyors revalued the Company's effective freehold properties on an open market value basis. During the current and prior period various properties were also reviewed for impairment and/or material changes in value. These valuation adjustments were recognised in the revaluation reserve or profit and loss account as appropriate.

	2021 £m	2020 £m
Profit and loss account:		
Impairment	(16.1)	(22.1)
Reversal of past impairment	1.5	–
	(14.6)	(22.1)
Revaluation reserve:		
Unrealised revaluation surplus	3.0	–
Reversal of past revaluation surplus	(11.5)	(26.7)
	(8.5)	(26.7)
Net decrease in shareholders' equity/tangible fixed assets	(23.1)	(48.8)



Notes continued

For the 52 weeks ended 2 October 2021

6 Fixed asset investments

	Subsidiary undertakings £m
Cost	
At 4 October 2020	262.1
Capital contribution in respect of equity-settled share-based payments	1.2
At 2 October 2021	263.3
Impairments	
At 4 October 2020	99.2
Reversed in the period	(99.2)
At 2 October 2021	–
Net book amount at 3 October 2020	162.9
Net book amount at 2 October 2021	263.3

Where there are indications of impairment or reversal of impairment of the Company's investments in subsidiary undertakings an assessment is made of the recoverable amounts of the investments, which are based on either the net assets of the subsidiary or value in use calculations. Where a value in use calculation is used, cash flows have been derived from the latest board approved cash flows of the relevant entity, discounted at a rate of 6.5%.

The impairment reversal in the current period resulted from the realisation of the value of the Group's brewing operations following their disposal and the ability of the Company to access the future income from the Group's investment in Carlsberg Marston's Brewing Company Limited.

These financial statements are separate company financial statements for Marston's PLC.

6 Fixed asset investments (continued)

The Company had the following subsidiary undertakings at 2 October 2021:

	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	Property management	Ordinary 25p	–	100%
Marston's Operating Limited	Pub retailer	Ordinary £1	–	100%
Marston's Pubs Limited	Pub retailer	Ordinary £1	–	100%
Marston's Pubs Parent Limited	Holding company	Ordinary £1	–	100%
Marston's Telecoms Limited	Telecommunications	Ordinary £1	–	100%
Marston's Trading Limited	Pub retailer	Ordinary £5	–	100%
Banks's Brewery Insurance Limited	Insurance	Ordinary £1	–	100%
Marston's Acquisitions Limited	Acquisition company	Ordinary 25p Preference £1	–	100%
Marston's Corporate Holdings Limited	Holding company	Ordinary £1	100%	100%
Marston's Issuer PLC	Financing company	Ordinary £1	–	–
Marston's Issuer Parent Limited	Holding company	Ordinary £1	–	–
Bedford Canning Company Limited	Dormant	Ordinary £1	–	100%
Bluu Limited	Dormant	Ordinary £1	–	100%
Brasserie Restaurants Limited	Dormant	Ordinary £1	–	100%
Celtic Inns Holdings Limited	Dormant	Ordinary 1p	–	100%
Celtic Inns Limited	Dormant	Ordinary £1	–	100%
Eldridge, Pope & Co., Limited	Dormant	Ordinary 50p	–	100%
English Country Inns Limited	Dormant	Ordinary 50p	–	100%
EP Investments 2004 Limited	Dormant	Ordinary 1p	–	100%
Fairdeed Limited	Dormant	'A' Ordinary £1	–	100%
Fayolle Limited	Dormant	Ordinary £1	–	100%
John Marston's Taverners Limited	Dormant	Ordinary £1	–	100%
Lambert Parker & Gaines Limited	Dormant	Ordinary £1	–	100%
Mansfield Brewery Limited	Dormant	Ordinary 25p	–	100%
Mansfield Brewery Properties Limited	Dormant	Ordinary £1	–	100%
Mansfield Brewery Trading Limited	Dormant	Ordinary £1	–	100%
Marston, Thompson & Evershed Limited	Dormant	Ordinary 25p	–	100%
Marston's Developments Limited	Dormant	Ordinary £1	–	100%
Marston's Property Developments Limited	Dormant	Ordinary £1	–	100%
Osprey Inns Limited	Dormant	Ordinary £1	–	100%
Pitcher and Piano Limited	Dormant	Ordinary £1	–	100%
Porter Black (2003) Limited	Dormant	Ordinary £1	–	100%



Notes continued

For the 52 weeks ended 2 October 2021

6 Fixed asset investments (continued)

	Nature of business	Class of share	Proportion of shares held directly by Marston's PLC	Proportion of shares held by the Group
QP Bars Limited	Dormant	Ordinary £1	–	100%
Refresh Group Limited	Dormant	Ordinary 1p	–	100%
Refresh UK Limited	Dormant	Ordinary 10p	–	100%
Ringwood Brewery Limited	Dormant	Ordinary £1	–	100%
S.K. Williams Limited	Dormant	Ordinary £1	–	100%
SDA Limited	Dormant	Ordinary £1	–	100%
Sherwood Forest Properties Limited	Dormant	Ordinary £1	–	100%
Sovereign Inns Limited	Dormant	Ordinary £1	–	100%
The Gray Ox Limited	Dormant	Ordinary £1	–	100%
The Wychwood Brewery Company Limited	Dormant	Ordinary £1	–	100%
W&DB (Finance) Limited	Dormant	Ordinary £1	–	100%
W. & D. Limited	Dormant	Ordinary £1	–	100%
Wizard Inns Limited	Dormant	'A' Ordinary 1p Deferred 1p	– –	100% 100%
Wychwood Holdings Limited	Dormant	'A' Ordinary 1p 'B' Ordinary 1p	– –	100% 100%

The registered office of all of the above subsidiaries is Marston's House, Brewery Road, Wolverhampton WV1 4JT, with the exception of Banks's Brewery Insurance Limited, Marston's Issuer PLC and Marston's Issuer Parent Limited. The registered office of Banks's Brewery Insurance Limited is PO Box 33, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 4AT. The registered office of Marston's Issuer PLC and Marston's Issuer Parent Limited is Wilmington Trust SP Services (London) Limited, Third Floor, 1 King's Arms Yard, London EC2R 7AF.

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.

6 Fixed asset investments (continued)

The Company had the following associates at 2 October 2021:

	Nature of business	Class of share	Proportion of shares held directly by Marston's PLC	Proportion of shares held by the Group
Carlsberg Marston's Brewing Company Limited	Brewer	Ordinary £1	–	40%

The registered office of Carlsberg Marston's Brewing Company Limited is Marston's House, Brewery Road, Wolverhampton WV1 4JT.

7 Debtors

Amounts falling due within one year

	2021 £m	2020 £m
Amounts owed by Group undertakings	520.5	520.5
Derivative financial instruments	–	19.5
Prepayments and accrued income	–	0.1
Other debtors	3.2	–
	523.7	540.1

Amounts falling due after more than one year

	2021 £m	2020 £m
12.5% subordinated loan owed by Group undertaking	521.5	317.0
Derivative financial instruments	15.4	17.8
	536.9	334.8

The gross contractual amount outstanding in respect of the subordinated loan was £1,316.6 million (2020: £1,163.0 million), the impact of discounting the expected cash flows at 12.5% was £795.1 million (2020: £683.3 million) and the accumulated impairment losses were £nil (2020: £162.7 million).

Included within derivative financial instruments falling due within one year at 3 October 2020 was an amount of £2.3 million relating to interest rate swaps with a maturity of greater than 12 months. This has been reclassified to amounts falling due after more than one year in the current period.



Notes continued

For the 52 weeks ended 2 October 2021

8 Creditors

	2021 £m	2020 £m
Amounts falling due within one year		
Amounts owed to Group undertakings	673.2	698.6
Bank borrowings	–	1.0
Finance leases	0.5	0.9
Other lease related borrowings	(0.1)	(0.1)
Corporation tax	10.0	25.4
Derivative financial instruments	–	19.5
Accruals and deferred income	7.3	10.9
Other creditors	0.8	–
	691.7	756.2

Amounts falling due after more than one year

	2021 £m	2020 £m
Bank borrowings	–	2.3
Finance leases	20.0	20.5
Other lease related borrowings	88.3	88.2
Other borrowings	40.0	40.0
Preference shares	0.1	0.1
Derivative financial instruments	15.4	17.8
Accruals and deferred income	10.2	10.8
Other creditors	0.6	0.5
	174.6	180.2

The preference shares carry the right to a fixed cumulative 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.

Other lease related borrowings represent amounts due under sale and leaseback arrangements that do not fall within the scope of Section 20 'Leases' of FRS 102. The Company has an option to repurchase each leased property for a nominal amount at the end of the lease. The leases have terms of 35 to 40 years and rents which are linked to RPI, subject to a cap and collar.

The amount falling due for payment after more than five years from the balance sheet date on debts repayable by instalments was £107.3 million (2020: £107.4 million). Debts of £0.1 million (2020: £0.1 million) were repayable otherwise than by instalments after more than five years from the balance sheet date.

Included within derivative financial instruments falling due within one year at 3 October 2020 was an amount of £2.3 million relating to interest rate swaps with a maturity of greater than 12 months. This has been reclassified to amounts falling due after more than one year in the current period.

9 Provisions for liabilities

	Deferred tax £m	Property leases £m	Total £m
At 4 October 2020	3.1	5.3	8.4
Provided in the period	–	2.1	2.1
Released in the period	–	(0.1)	(0.1)
Utilised in the period	–	(2.2)	(2.2)
Unwind of discount	–	0.1	0.1
Disposals	(5.9)	–	(5.9)
Charged to profit or loss	3.7	–	3.7
Credited to other comprehensive income	(0.5)	–	(0.5)
At 2 October 2021	0.4	5.2	5.6

Payments are expected to continue in respect of these property leases for periods of 1 to 23 years (2020: 1 to 24 years). There is not considered to be any significant uncertainty regarding the amount and timing of these payments.

Deferred tax

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

	2021 £m	2020 £m
Excess of capital allowances over accumulated depreciation	4.2	5.2
Property related items	–	3.1
Other	(3.8)	(5.2)
	0.4	3.1

A deferred tax asset of £10.0 million (2020: £2.6 million) arising on capital losses has not been recognised due to uncertainty over its future recoverability.

10 Financial instruments

Carrying amount of financial assets

	2021 £m	2020 £m
Measured at fair value through profit or loss	15.4	37.3

Carrying amount of financial liabilities

	2021 £m	2020 £m
Measured at fair value through profit or loss	15.4	37.3

The only financial instruments that the Company holds at fair value are interest rate swaps. The fair values of the Company's interest rate swaps are obtained using a market approach and reflect the estimated amount the Company would expect to pay or receive on termination of the instruments, adjusted for the Company's own credit risk. The Company utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.



Notes continued

For the 52 weeks ended 2 October 2021

11 Operating lease commitments

At 2 October 2021 the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2021 £m	2020 £m
Within one year	7.0	9.9
In more than one year but less than five years	20.9	25.0
In more than five years	47.6	70.0
	75.5	104.9

12 Finance lease obligations

The Company leases various properties and items of equipment under finance leases. The leases have various terms, escalation clauses and renewal rights. Future minimum lease payments under finance leases are as follows:

	2021 £m	2020 £m
Within one year	1.6	2.0
In more than one year but less than five years	5.8	6.0
In more than five years	31.0	32.4
	38.4	40.4
Future finance charges	(17.9)	(19.0)
Present value of finance lease obligations	20.5	21.4

13 Equity share capital

	2021		2020	
	Number m	Value £m	Number m	Value £m
Allotted, called up and fully paid				
Ordinary shares of 7.375p each	660.4	48.7	660.4	48.7

14 Reserves

The share premium account comprises amounts in excess of nominal value received for the issue of shares less any transaction costs.

When effective freehold land and buildings are revalued any gains and losses are recognised in the revaluation reserve, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in the revaluation reserve; such gains and losses are recognised in profit or loss. The associated deferred tax on revaluations is also recognised in the revaluation reserve. Amounts representing the equivalent depreciation are transferred to profit and loss reserves annually and the full amount is transferred on disposal of the associated property.

The merger reserve arose on the issue of ordinary shares in the period ended 30 September 2017 and represented the difference between the nominal value of the shares issued and the net proceeds received. Following the disposal of the Company's assets associated with the Group's brewing operations in the current period the remaining balance of the reserve was realised and consequently transferred to profit and loss reserves.

The capital redemption reserve arose on share buybacks.

Details of own shares are provided in note 29 to the Group financial statements.

15 Guarantees and 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.

The Company has guaranteed the obligations of Trading under certain of its banking facilities and the obligations of Marston's Estates Limited under various property leases.



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Information for Shareholders

Annual General Meeting (AGM)

The Company's AGM will be held at 10.00am on 25 January 2022 at The Farmhouse at Mackworth, 60 Ashbourne Road, Derby DE22 4LY.

Any changes to the AGM arrangements will be communicated to shareholders before the AGM through our website and, where appropriate, by RNS announcement.

Online voting for the Annual General Meeting

Shareholder participation remains important to us and we strongly encourage all shareholders to participate in the business of the meeting by submitting your votes on each of the resolutions in advance.

To register the appointment of a proxy electronically, visit www.sharevote.co.uk and follow the instructions provided (you will need the voting numbers found on your Form of Proxy).

Alternatively, shareholders who have already registered with Equiniti Registrars' online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using their user ID and password. Once logged in, click 'view' on the 'My Investments' page. Click on the link to vote and follow the on-screen instructions.

Financial calendar

AGM and Interim Management Statement	25 January 2022
Half-year results	May 2022
Full-year results	November 2022

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

The Marston's website

Shareholders are encouraged to visit our website www.marstonpubs.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: help.shareview.co.uk – from here you will be able to securely email Equiniti with your query

Telephone: 0371 384 2274*

By post: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA

* Lines are open from 9.00am to 5.00pm (UK time), Monday to Friday, excluding public holidays in England and Wales.

Dividend payments

No dividends will be paid for the 2021 financial year. Future dividends will be reviewed.

However, if you believe you have any unclaimed dividends or have misplaced a cheque, please contact Equiniti or visit www.shareview.co.uk. 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 2,500 shares or fewer, and reside in the UK, this can be done quickly over the telephone. However, for holdings greater than 2,500 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 a low cost dealing service 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.



Information for Shareholders continued

Ordinary shares

Range of shareholding

Balance ranges	Total number of holdings	Percentage of holders	Total number of shares	Percentage issued capital
1 – 1,000	3,603	41.99%	1,490,339	0.23%
1,001 – 10,000	3,769	43.92%	14,539,098	2.20%
10,001 – 100,000	931	10.85%	24,588,056	3.72%
100,001 – 1,000,000	182	2.12%	66,825,439	10.12%
1,000,001 – 999,999,999	96	1.12%	552,919,262	83.73%
Totals	8,581	100.00%	660,362,194	100.00%

An analysis of the register by shareholder type can be found in the Governance section on page 51.

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.

Company details

Registered office: Marston's House, Brewery Road, Wolverhampton WV1 4JT

Telephone: 01902 711811

Company registration number: 31461

Investor queries: investorrelations@marstons.co.uk

Auditor

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Pinsent Masons LLP, 55 Colmore Row, Birmingham B3 2FF

Slaughter & May LLP, One Burnhill Row, London EC1Y 8YY

Shoosmiths LLP, 2 Colmore Square, 38 Colmore Circus Queensway, Birmingham B4 6BJ

Squire Patton Boggs (UK) LLP, Rutland House, 148 Edmund Street, Birmingham B3 2JR



Glossary

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

Capex Capital investment

Carlsberg/Carlsberg UK The Carlsberg Group’s UK brewing business

CMBC Carlsberg Marston’s Brewing Company

Critical role turnover The number of times the person in a critical role changes

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

CR Corporate Responsibility – businesses’ response to their impact on society

EBIT Earnings before interest and tax

EBITDA Earnings before interest, tax, depreciation and amortisation

EBITDAR Earnings before interest, tax, depreciation, amortisation and restructuring or rent

EHO Environmental Health Officer

EPOS Electronic point of sale

EPS Earnings per share

ESG Environmental, Social and Governance

EV Electric vehicle

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

FRC Financial Reporting Council – independent regulator

FTSE4Good An index designed to measure the performance of companies demonstrating strong Environmental, Social and Governance practices

IRI Market research provider for consumer and retail insight

Kantar Data and insight consultancy

IGD Data and insight provider for food and grocery industry

Like-for-like Sales this year compared to sales in the previous year, of the same pubs trading in both periods, expressed as a percentage

LIBOR London Inter-Bank Offered Rate, the benchmark interest rate at which major global banks lend to one another

MRO Market rent only – as defined in The Pubs Code

Mwhr Megawatt – a measure of electric power

NAV Net asset value

NED Non-executive Director

NCF Net cash flow – Change in debt resulting from cash flows

OHID Office for Health Improvement and Disparities

PBT Profit before tax

PCA Pubs Code Adjudicator

PCDR Performance, Career and Development Review

Peach market tracker Sales data for the UK eating and drinking out market

Rapid electrical vehicle chargers Fast charging network for electric vehicles

REGO Renewable Energy Guarantees of Origin

ROC Return on capital – a measure of how effectively we use the capital invested in our business

SEDEX Supplier Ethical Data Exchange – membership organisation for auditing supply chains

SONIA Sterling Overnight Index Average, overnight indexed swaps for unsecured transactions

TCFD Taskforce on Climate-related Financial Disclosure

The Pubs Code Statutory regulation effective 21 July 2016

TSR Total shareholder return – a combination of share price appreciation and dividends paid

Total revenue Total revenue from continuing and discontinued operations

Ways of working Marston’s values and principles that guide our expected behaviours and actions

WRAP Waste & Resources Action Programme

WTO World Trade Organisation



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It has been printed using 100% offshore wind electricity sourced from UK wind and all the inks used are vegetable based.



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