Company Registration No. 05453370 (England and Wales)

MARSTON'S PUBS PARENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 3 OCTOBER 2020

MARSTON'S PUBS PARENT LIMITED

COMPANY INFORMATION

Directors	Andrew Andrea Ralph Findlay
Secretary	Anne-Marie Brennan
Company number	05453370
Registered office	Marston's House Brewery Road Wolverhampton WV1 4JT

MARSTON'S PUBS PARENT LIMITED

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MARSTON'S PUBS PARENT LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 3 OCTOBER 2020

The Directors present the strategic report for the period ended 3 October 2020.

Business review
The principal activity of the Group continued to be that of operating managed, tenanted, leased and franchised public houses.

The principal activity of the Company is that of a holding and investment company.

The Board of Marston's PLC manage the Marston's Group's operations on a divisional, rather than statutory entity basis. The development, performance, position and key performance indicators of the Marston's Group which includes the Company and the Group are discussed within the Strategic Report of Marston's PLC which does not form part of this report.

During the current period the Group's turnover was £268.0m (2019: £409.4m) and the operating loss was £9.2m (2019 (as restated): profit of £81.3m). These were both significantly impacted by the social distancing and pub closure requirements arising from the COVID-19 outbreak. The loss before tax was £200.5m (2019 (as restated): £117.5m) again reflecting the impact of COVID-19.

There are no significant changes expected in the nature of the Group's business however it is anticipated that, in the short term at least, its performance will continue to be impacted by the restrictions arising from COVID-19.

The Marston's Group's key performance indicators for the period ended 3 October 2020 are commented on in detail in the Strategic Report of Marston's PLC. Those that specifically relate to the Group are as follows:

- Underlying earnings per share
- Net cash flow
- CROCCE
- Like-for-like sales
- Critical role turnover
- Happiness score

Principal risks and uncertainties

The principal risks and uncertainties of the Company and the Group reflect those of the Marston's Group. The principal risks and uncertainties of the Marston's Group, which include those of the Company and the Group, are set out below and are discussed further within the Strategic Report of Marston's PLC which does not form part of this report.

Pandemic

There is a risk that COVID-19 infection rates increase leading to further restrictions on the public and further trading regulations for pubs and lodges.

Liquidity

While the UK battles the pandemic there is a risk of regional lockdowns or national measures which could impact upon the ability of pubs to trade and therefore put the liquidity of the business under strain.

Health and safety

Breaches of health and safety regulations could endanger the health of an individual and attract media attention and high penalties.

Food safety

Breaches of food standards regulations also attract media attention and high penalties.

Financial

There is the risk of a breach of the covenants with the Marston's Group's lenders, incorrect reporting of financial results and unauthorised transactions.

Market and operational

There is the risk that the Marston's Group's pubs, brands or services fail to attract guests, do not reflect changing customer preferences or offer poor service or quality. Equally there is the risk that the Marston's Group's prices become uncompetitive.

Failure to attract or retain the best people could negatively impact pub performance.

Trading restrictions and the impact on consumer confidence as a result of COVID-19 create the risk of substantially lower sales until a vaccine is widely deployed.

There is the risk of disruption to key suppliers, particularly those closely involved with day-to-day activities (logistics, food, drink), or a shortage of commodities.

There is also the risk of disruption to food supplies from the EU, with or without a trade agreement. Increases in customs duties could impact the Marston's Group's offering to guests and its cost base.

Political and economic

High persistent levels of unemployment could impact consumer spend in the Marston's Group's pubs, particularly those with a more premium focus.

The import of goods from the EU could be disrupted, including fresh food. In the event of disruption, it could be difficult to source alternative supplies of food and drink for the same cost.

Information technology

Threats to IT are both external and internal and could result in a network outage, denial of service or loss, theft or corruption of data.

Section 172(1) statement
This section describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, in exercising their duty to promote the success of the Company for the benefit of its members as a whole.

Directors are required to have regard (amongst other matters) to the interests of wider stakeholders, as well as:

- the likely long-term consequences of any decision they make;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly, as between members of the Company.

The Company is a subsidiary of Marston's PLC and, therefore, key decisions which affect the Marston's Group, this Group and Company and stakeholders are principally made by the Board of the ultimate parent undertaking and controlling party, Marston's PLC. Further details of how the Board of Marston's PLC have had regard to sections 172(1)(a) to (f) of the Companies Act 2006 in the current reporting period can be found in the Annual Report and Accounts of Marston's PLC, key elements of which include:

Our people
We are a business where working together, caring about each other, recognising a job well done and striving to be the best is what defines us. We aim to inform, inspire, engage and enable our people, using a variety of communication channels. The Marston's Group is committed to keeping employees informed of business performance and strategy. We do this in a variety of ways from presentations of the interim and annual results by senior management, to video and email messages from the Marston's Group CEO. Employees' views are sought through regular engagement surveys across the Marston's Group and action plans are put in place to respond to issues arising.

Our guests
Guest satisfaction is key to our success; by listening to their feedback and engaging with them we aim to deliver a consistently great experience. We adapt our pubs, brands and offerings to satisfy changing tastes, lifestyles and curiosity. Now, more than ever, we want to ensure that our pubs are a welcoming and safe environment for our guests, whether the purpose be to drink, eat or stay.

Our partners
Our pub partners are a key part of the Marston's Group'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. They are free to innovate and reflect their own character within the ambience and offer that they create. We work with our partners to find the right agreement for their business and try to support them through difficult periods such as the challenges presented by the global pandemic.

Our communities
Our pubs are more than just a physical presence in the communities where they are located; they are part of each community and are valued as a place where people within that community can come together. 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 and involve ourselves in community events, supporting people experiencing hardship.

Suppliers
We partner with suppliers who share our values and these relationships are integral to our success. We foster long-term relationships and manage them in a responsible and mutually beneficial way. During the global pandemic in 2020, the strength of these relationships was demonstrated by our mutual support during lockdown, followed by the commitment shown to us in supporting the re-opening of our pubs.

Environment
We seek to innovate through our environmental projects in order to accelerate the reduction of our environmental impact. Our estates team have gained industry recognition for their pioneering work to reduce emissions at our pubs, reduce water consumption and increase recycling. 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.

Investors
We want to attract long-term equity and debt investors who believe in and support our strategy. This enables us to remain focused on delivering sustainable growth and maximising return on capital invested, for the benefit of all our stakeholders. The Marston's Group engages through the annual general meeting and other investor relations activities, including meetings and communications that provide updates on progress against strategy, clarification and understanding of the business and an opportunity to listen to feedback. The Marston's Group CEO and CFO host meetings with our major shareholders and private client fund managers to present the half year and year-end results. During this reporting period, investor focus has been on liquidity and financial viability and the Marston's Group CEO and CFO have worked hard to reassure investors by setting out the impact of the COVID-19 restrictions and enforced pub closures, the financing position and government regulations.

Government
Government policy decisions impact the Marston's Group and, directly and indirectly, all of our stakeholders. The Group Risk & Compliance Committee monitor emerging legislation to assess its relevant impact and what preparations are needed to ensure compliance. As a responsible business, we engage with UK Government Public Health on health initiatives and support government initiatives such as Drinkaware. As a member of the BBPA, we participate in consultations and have actively engaged with them throughout the pandemic to help them understand the impact of the restrictions imposed on the hospitality sector, the safety in a regulated setting and the lack of clear evidence tying pubs to the increases in infection levels.

Government support during the pandemic was welcomed and we have continued to collect and pay a wide range of taxes during the reporting period.

The Board of Marston’s PLC believe that the following matters were of strategic importance during the period:

- Impact of and response to COVID-19 – during the global pandemic the Board have focused on ensuring the safety of our people, on the business remaining financially viable and, on re-opening of our pubs, the safety and enjoyment of our guests. The Board received regular updates on how the Marston's Group supported its people and partners and engaged with guests and key suppliers during the first period of lockdown. Recognising the major challenges facing many of our stakeholders, all Board members volunteered significant pay cuts during this period. The Board decisions to strengthen the Marston's Group balance sheet (with the reassurance of additional financing if needed) and to suspend the dividend for the 2019/20 period, are considered to be in the best interests of promoting the success of the business over the long term, for the benefit of members as a whole.

- Joint venture with Carlsberg UK Limited – in May 2020, following several months of considerations that covered a number of factors and conflicting interests when assessing the transaction as most likely to promote the success of the Marston's Group, the Board approved the proposals. Details of the transaction are described in the Annual Report and Accounts of Marston’s PLC and within the circular sent to shareholders (available at www.marstons.co.uk).

  In reaching the decision to recommend the proposal to shareholders, the Board discussed the relevant implications with senior managers from within the business and took advice on the terms of the transaction from advisers. The Board considered:

  - the long-term consequences of the proposal and the benefits to members as a whole in separating the beer and pub businesses,

  - the risks in becoming a pure pub-focused operator,

  - the financial benefits of reducing debt and its alignment to strategy,

  - the impact on our people – both those transferring and those remaining – and the importance of clear and timely information,

  - the benefits to both guests and partners of an enlarged beer business and stronger brand portfolio, and

  - their duties as directors to act with integrity and uphold high standards of conduct.

By order of the board

Anne-Marie Brennan
Secretary
18 December 2020

The Directors present their report and the financial statements of the Company and the Group for the period ended 3 October 2020.

The financial statements of the Company and the Group cover the 53 weeks ended 3 October 2020 (2019: 52 weeks ended 28 September 2019).

Directors

The Directors who held office during the period and up to the date of signature of the financial statements were as follows:

Andrew Andrea
Ralph Findlay
Richard Westwood (Resigned 30 October 2020)

Results and dividends

The results for the period are set out on page 12.

No ordinary dividends were paid in the period. The Directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

In accordance with the Company's Articles of Association and to the extent permitted by law, the Company has indemnified its Directors against certain liabilities that may be incurred as a result of their position.

Engagement with suppliers, customers and others

A summary of how the Directors have regarded the need to foster the Group and the Company's business relationships with suppliers, customers and others, and the effect of that regard on the principal decisions made during the period, is provided in the strategic report.

Financial instruments

Financial risk management

Financial risk management is undertaken at the Marston's Group level and as such the financial risk management of the Company and the Group reflects that of the Marston's Group. The Marston's Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Marston's Group's financial performance. Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Marston's Group Board. The key financial risks for the Marston's Group are interest rate risk, credit risk and liquidity risk.

Interest rate risk: The Marston's 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 Marston's Group calculates the impact of a defined interest rate shift on its results.

Credit risk: 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 Marston's Group Board. The utilisation of and adherence to credit limits is regularly monitored.

Liquidity risk: The Marston's 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.

Further details of the Marston's Group's financial risk exposure, and the management objectives and policies thereon, are presented within the Annual Report and Accounts of Marston's PLC.

Future developments
No changes are anticipated in the nature of the business in the foreseeable future.

Auditor
The Company appointed KPMG LLP as auditor during the current period, following the resignation of PricewaterhouseCoopers LLP. Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Statement of disclosure to auditor
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board

Anne-Marie Brennan
Secretary
18 December 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 3 OCTOBER 2020

The Directors are responsible for preparing the strategic report, the Directors' report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and 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 and 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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MARSTON'S PUBS PARENT LIMITED

Opinion

We have audited the financial statements of Marston's Pubs Parent Limited ('the Company') for the period ended 3 October 2020, which comprise the Group and Company balance sheets, Group profit and loss account, Group statement of comprehensive income, Group and Company statements of changes in equity, Group statement of cash flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 3 October 2020 and of the Group's loss for the period then ended;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the impact of COVID-19 on the economy and the hospitality industry has resulted in heightened uncertainty about the future financial performance of the Group which may cast significant doubt on the Group’s ability to trade as a going concern. The securitised debt is subject to various covenants, many of which relate to Marston’s Pubs Limited. Whilst waivers have been obtained from bondholders up to April 2021 there is a material uncertainty as to whether the financial covenants will be met or the bondholders will agree to further waivers, if required. 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 Company’s ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Strategic report and Directors' report

The Directors are responsible for the strategic report and the Directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the Directors' report 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 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.

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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements 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.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the Directors are responsible for: the preparation of the financial statements and for 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 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 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.

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
United Kingdom
18 December 2020

MARSTON'S PUBS PARENT LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 3 OCTOBER 2020

	Notes	Period ended 3 October 2020 £m	Period ended 28 September 2019 as restated £m
Turnover	**4**	268.0	409.4
Trading expenses	**5**	(223.6)	(318.7)
Exceptional items	**6**	(53.6)	(9.4)
Operating (loss)/profit	**7**	(9.2)	81.3
Interest receivable and similar income	**10**	-	0.1
Interest payable and similar charges	**11**	(182.0)	(166.2)
Other gains and losses	**12**	(9.3)	(32.7)
Loss before taxation		(200.5)	(117.5)
Taxation	**13**	37.2	19.5
Loss for the financial period		(163.3)	(98.0)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The comparative information for the period ended 28 September 2019 has been restated for the prior period adjustments detailed in note 33.

MARSTON'S PUBS PARENT LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 3 OCTOBER 2020

	Period ended 3 October 2020 £m	Period ended 28 September 2019 as restated £m
Loss for the period	(163.3)	(98.0)
Items of other comprehensive income		
Revaluation of tangible fixed assets	(71.1)	(6.8)
Cash flow hedges loss arising in the period	(3.3)	(20.9)
Transfers to the profit and loss account on cash flow hedges	20.1	10.9
Tax relating to items of other comprehensive income	6.4	2.2
Other comprehensive expense for the period	(47.9)	(14.6)
Total comprehensive expense for the period	(211.2)	(112.6)

Total comprehensive expense for the period is all attributable to the owners of the Company.

MARSTON'S PUBS PARENT LIMITED

GROUP BALANCE SHEET

AS AT 3 OCTOBER 2020

	Notes	3 October 2020 £m	£m	28 September 2019 as restated £m	£m
Fixed assets					
Goodwill	**14**		31.3		43.0
Other intangible assets	**14**		13.0		9.4
Total intangible assets			44.3		52.4
Tangible assets	**15**		1,129.3		1,290.9
			1,173.6		1,343.3
Current assets					
Stocks	**18**	5.5		6.4	
Debtors falling due after one year	**19**	-		16.1	
Debtors falling due within one year	**19**	30.0		13.7	
Cash at bank and in hand		25.6		19.7	
		61.1		55.9	
Creditors: amounts falling due within one year	**20**	(99.3)		(87.5)	
Net current liabilities			(38.2)		(31.6)
Total assets less current liabilities			1,135.4		1,311.7
Creditors: amounts falling due after more than one year	**21**		(2,006.5)		(1,937.3)
Provisions for liabilities	**23**		(10.8)		(45.1)
Net liabilities			(881.9)		(670.7)
Capital and reserves					
Called up share capital	**25**		-		-
Revaluation reserve	**26**		192.3		258.3
Hedging reserve	**27**		(100.5)		(117.0)
Profit and loss reserves			(973.7)		(812.0)
Total equity			(881.9)		(670.7)

The financial statements were approved by the board of Directors and authorised for issue on 18 December 2020 and are signed on its behalf by:

Andrew Andrea
Director

MARSTON'S PUBS PARENT LIMITED

COMPANY BALANCE SHEET

AS AT 3 OCTOBER 2020

	Notes	3 October 2020 £m	28 September 2019 £m
Fixed assets			
Investments	**16**	-	-
Net assets		-	-
Capital and reserves			
Called up share capital	**25**	-	-
Profit and loss reserves		-	-
Total equity		-	-

The Company's profit for the period was £nil (2019: £nil).

The financial statements were approved by the board of Directors and authorised for issue on 18 December 2020 and are signed on its behalf by:

Andrew Andrea
Director

Company Registration No. 05453370

MARSTON'S PUBS PARENT LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 3 OCTOBER 2020

	Share capital	Revaluation reserve	Hedging reserve	Profit and loss reserves	Total
	£m	£m	£m	£m	£m
As restated for the period ended 28 September 2019:					
Balance at 30 September 2018	-	268.2	(108.7)	(711.9)	(552.4)
Adjustment for asset class split	-	(3.3)	-	0.8	(2.5)
Balance at 30 September 2018 (as restated)	-	264.9	(108.7)	(711.1)	(554.9)
Adjustment for adoption of IFRS 9	-	-	-	(3.2)	(3.2)
Balance at 30 September 2018 (as adjusted)	-	264.9	(108.7)	(714.3)	(558.1)
Period ended 28 September 2019:					
Loss for the period	-	-	-	(98.0)	(98.0)
Other comprehensive income:					
Revaluation of tangible fixed assets	-	(6.8)	-	-	(6.8)
Cash flow hedges loss arising in the period	-	-	(20.9)	-	(20.9)
Transfers to the profit and loss account on cash flow hedges	-	-	10.9	-	10.9
Tax relating to items of other comprehensive income	-	0.5	1.7	-	2.2
Total comprehensive expense for the period	-	(6.3)	(8.3)	(98.0)	(112.6)
Transfers	-	(0.3)	-	0.3	-
Balance at 28 September 2019	-	258.3	(117.0)	(812.0)	(670.7)
Period ended 3 October 2020:					
Loss for the period	-	-	-	(163.3)	(163.3)
Other comprehensive income:					
Revaluation of tangible fixed assets	-	(71.1)	-	-	(71.1)
Cash flow hedges loss arising in the period	-	-	(3.3)	-	(3.3)
Transfers to the profit and loss account on cash flow hedges	-	-	20.1	-	20.1
Tax relating to items of other comprehensive income	-	6.7	(0.3)	-	6.4
Total comprehensive (expense)/income for the period	-	(64.4)	16.5	(163.3)	(211.2)
Transfers	-	(1.6)	-	1.6	-
Balance at 3 October 2020	-	192.3	(100.5)	(973.7)	(881.9)

MARSTON'S PUBS PARENT LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 3 OCTOBER 2020

	Share capital	Profit and loss reserves	Total
	£m	£m	£m
Balance at 30 September 2018	-	-	-
Period ended 28 September 2019:			
Profit and total comprehensive income for the period	-	-	-
Balance at 28 September 2019	-	-	-
Period ended 3 October 2020:			
Profit and total comprehensive income for the period	-	-	-
Balance at 3 October 2020	-	-	-

MARSTON'S PUBS PARENT LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 3 OCTOBER 2020

	Notes	2020 £m	2020 £m	2019 £m	2019 £m
Operating activities					
Cash generated from operations	**32**		59.3		117.8
Interest paid			(35.7)		(42.2)
Income taxes refunded			7.3		12.8
Net cash inflow from operating activities			30.9		88.4
Investing activities					
Purchase of intangible fixed assets		(4.7)		(9.6)	
Proceeds on disposal of intangible fixed assets		0.5		-	
Purchase of tangible fixed assets		(25.0)		(39.9)	
Proceeds on disposal of tangible fixed assets		54.8		10.7	
Interest received		-		0.1	
Net cash inflow/(outflow) from investing activities			25.6		(38.7)
Financing activities					
Repayment of borrowings		(50.6)		(57.5)	
Net cash outflow from financing activities			(50.6)		(57.5)
Net increase/(decrease) in cash and cash equivalents			5.9		(7.8)
Cash and cash equivalents at beginning of period			19.7		27.5
Cash and cash equivalents at end of period			25.6		19.7

1 Accounting policies

Company information

Marston's Pubs Parent Limited is a private company limited by shares incorporated in England and Wales. The registered office is Marston's House, Brewery Road, Wolverhampton, WV1 4JT.

The Group consists of Marston's Pubs Parent Limited and all of its subsidiaries.

1.1 Accounting convention

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 and the Group. Monetary amounts in these financial statements are rounded to the nearest £0.1m.

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 principal accounting policies adopted are set out below.

As permitted by s408(3) of the Companies Act 2006, the Company has not presented its own profit and loss account and related notes.

1.2 Basis of consolidation and business combinations

The consolidated financial statements incorporate those of Marston's Pubs Parent Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 3 October 2020. All intra-group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

1 Accounting policies **(Continued)**

1.3 Going concern

The Group and Company's business activities, together with the factors likely to affect their future development and position, are set out in the strategic report.

The Company is a subsidiary of Marston's PLC and therefore its ability to operate as a going concern is fundamentally linked to that of the Marston's Group (i.e. Marston's PLC and its subsidiaries).

The impact of COVID-19 on the economy and the hospitality industry has resulted in heightened uncertainty about the future financial performance of the Marston's Group, which could cast significant doubt over the Marston's Group's ability to trade as a going concern. The COVID-19 pandemic has resulted in a variety of temporary operating restrictions and it is not clear when these restrictions, such as social distancing measures and reduced pub opening times, will be removed and whether any further local or national lockdowns will be required.

The directors of Marston's PLC and the Directors of the Company have performed an assessment of the Marston's Group's going concern assessment period, being at least 12 months from the date of signing the financial statements, including capital expenditure and cash flow forecasts, to assess the adequacy of the Marston's Group's, the Company's and the Group's financial resources. In performing their assessment, the Directors have considered the Marston's Group's, the Company's and the Group's financial position and exposure to principal risks, including the ongoing impact of COVID-19. The forecasts assume that sales will gradually recover to pre-COVID-19 levels over the next year, with social distancing measures reducing from April 2021. The Directors have also considered a severe but plausible downside scenario, which incorporates a further lockdown and pub opening restrictions at a national level for a two-month period in January and February 2021. The conclusion of this assessment was that the Directors are satisfied that the Marston's Group, the Company and the Group have sufficient liquidity to withstand such a severe but plausible downside scenario. The completion of the disposal of the Marston's Group's brewing operations in October 2020 has improved the Marston's Group's liquidity significantly, with an initial cash payment of £232.7m received on 30 October 2020. However, under this severe but plausible downside scenario, further covenant waivers/amendments would be required.

The Marston's Group has secured waivers from its bondholders in respect of the free cash flow covenant up to April 2021 and has agreed with its other lenders to replace existing financial covenant tests with a liquidity and profit covenant from 3 October 2020 up to July 2021. There is a material uncertainty as to whether the financial covenants will be met or whether the Marston's Group's lenders will agree to further waivers if required. The Marston's Group will continue to have regular communication with its lenders throughout this period.

Considering the above, the Directors are satisfied that the Company and the Group 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 for the Company and the Group. However, a material uncertainty exists, in particular with respect to the ability of the Marston's Group to achieve further covenant waivers or amendments if required, which may cast significant doubt on the Company's and the Group's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their 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.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover in respect of drink, food and accommodation is recognised at the point at which the goods or services are provided. Gaming machine income is recognised as earned. Rental income is recognised in the period to which it relates.

1 Accounting policies **(Continued)**

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is presumed to be 10 years.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Intangible assets comprise computer software, which is considered to have a finite useful life.

Amortisation is recognised so as to write off the cost of assets less their residual values on a straight-line basis over their useful lives as follows:

Computer software	5 to 20 years

1.7 Tangible fixed assets

Effective freehold land and buildings are initially measured at cost and subsequently measured at valuation, net of depreciation and any impairment losses. Leasehold land and buildings and plant, fixtures and fittings are measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values on a straight-line basis over their useful lives as follows:

Effective freehold land and buildings	the lower of the lease period and 50 years
Leasehold land and buildings	the lower of the lease period and 50 years
Plant, fixtures and fittings	5 to 10 years

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Effective freehold land and buildings are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of effective freehold land and buildings is usually considered to be the market value.

Properties are revalued by independent qualified valuers at least once in each rolling three year period, on an open market value basis. Most 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.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, 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 equity; such gains and losses are recognised in profit or loss.

1 Accounting policies **(Continued)**

1.8 Fixed asset investments

In the Company financial statements, investments in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

1.9 Impairment of fixed assets

At each reporting end date, the Group reviews the carrying amounts of its tangible and intangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are valued on a ‘first in, first out’ basis.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1 Accounting policies **(Continued)**

1.11 Financial instruments

The Group has elected to apply the recognition and measurement provisions of IFRS 9 'Financial Instruments', the disclosure requirements of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 and the presentation requirements of paragraphs 11.38A and 12.25B of FRS 102 to account for all of its financial instruments.

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.

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. The Group holds no other financial instruments at fair value through profit or loss.

Financial assets at amortised cost

Financial assets at amortised cost comprise trade debtors, other debtors 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, other creditors and amounts owed to associated undertakings. 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 Group uses derivative financial instruments to hedge its exposure to fluctuations in interest rates.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

1 Accounting policies **(Continued)**

Hedge accounting

At the inception of a hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item along with its risk management objectives and strategy for undertaking the hedge transaction. At the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item.

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 profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss.

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 profit and loss account. 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 profit and loss account.

Trade debtors and other debtors

Trade debtors and other debtors are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

The Group applies the expected credit loss model to calculate any loss allowance for trade debtors and other debtors.

For trade debtors and other debtors 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 debtor 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.

The carrying amount of trade debtors and other debtors is reduced through the use of an allowance account, and the amount of the loss allowance is recognised in the profit and loss account within other net operating charges. The Group's policy is to write off trade debtors and other debtors 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 net operating charges in the profit and loss account.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

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 profit and loss account over the period of the borrowings using the effective interest method.

Other creditors and amounts owed to associated undertakings

Other creditors and amounts owed to associated undertakings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1 Accounting policies **(Continued)**

Derecognition of financial liabilities
Financial liabilities are derecognised when the Group’s contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments
Equity instruments issued by the Group and the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group or the Company.

1.13 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account 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 Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
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 taxable 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 in the profit and loss account, 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 Group 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.

1.14 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.

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.

1.15 Exceptional items
Exceptional items are items that, by virtue of their nature, size or expected frequency, warrant separate disclosure in the financial statements in order to fully understand the Group's underlying performance.

1 Accounting policies **(Continued)**

1.16 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grant will be received.

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

2 Change in accounting policy

The Group has split the land and buildings asset class within tangible fixed assets into an effective freehold class, held under the revaluation model, and a leasehold class, held under the cost model. This change has been applied retrospectively in accordance with Section 10 'Accounting Policies, Estimates and Errors' of FRS 102 and as such the comparatives for the period ended 28 September 2019 have been restated. Full details are provided in note 33.

3 Judgements and key sources of estimation uncertainty

In the application of the Group'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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Exceptional items

The Group classifies certain items as exceptional in the profit and loss account, as set out in its accounting policy. Determining which items should be so classified requires judgements to be made as to which items meet the definition and warrant separate disclosure in the accounts.

3 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Tangible fixed assets

The Group 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 15.

Valuation of interest rate swaps

The Group's interest rate swaps are held at fair value. 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 carrying amount of the interest rate swaps is shown in note 17.

4 Turnover

	2020	2019
	£m	£m
Turnover by category		
Sale of goods	246.4	374.6
Rendering of services	21.6	34.8
	268.0	409.4

In the prior period the Group had two distinguishable operating segments being Destination and Premium and Taverns. Following a reorganisation of the pub operational and commercial structure, the pub business has now merged into one and is no longer operated as Destination and Premium and Taverns. The results of the merged operations are now presented as one combined business in the reporting to the chief operating decision maker and management decisions are made on a combined basis.

Turnover originates in the UK and is not materially different from turnover by destination.

5 Trading expenses

	2020 £m	2019 as restated £m
Change in stocks of finished goods	0.5	(0.2)
Other operating income	(1.0)	(1.3)
Raw materials and consumables	77.4	124.4
Staff costs recharged from associated undertakings	46.5	63.4
Depreciation and other amounts written off tangible and intangible fixed assets	20.0	20.4
Other net operating charges	80.2	112.0
	223.6	318.7

Government grants of £0.4m (2019: £nil) in respect of the Retail, Hospitality and Leisure Grant Fund are included within other operating income.

6 Exceptional costs/(income)

	2020 £m	2019 as restated £m
Impairment of tangible fixed assets	31.5	9.4
Impact of COVID-19	4.3	-
Portfolio disposals	18.2	-
VAT claims	(0.4)	-
	53.6	9.4

In light of the COVID-19 outbreak the Group undertook a detailed valuation review of its pub estate in the current period, which resulted in the impairment of a number of these properties.

In the prior period, due to changes in the market and pub performance, the Group undertook a detailed valuation review of its Destination and Premium estate and subsequently impaired a number of these properties.

In order to mitigate the spread of COVID-19 the UK government required the closure of all pubs from 21 March 2020 to 3 July 2020 and has introduced various other social distancing measures and restrictions. This has had a significant impact on the Group’s business and its customers. Certain associated costs/ charges have been classified as a non-underlying item.

The Group has disposed of two portfolios of smaller wet-led leased, tenanted and franchised pubs and associated properties in the current period. The net loss on disposal has been classed as an exceptional item.

In the current period the Group has recognised a credit in respect of amounts 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.

7 Operating (loss)/profit

	2020	2019 as restated
	£m	£m
Operating (loss)/profit for the period is stated after charging/(crediting):		
Depreciation of tangible fixed assets	11.4	11.6
Impairment of tangible fixed assets	31.5	9.4
Loss on disposal of tangible fixed assets	17.1	2.0
Amortisation of intangible fixed assets	8.6	8.8
Loss on disposal of intangible fixed assets	-	0.1
Operating lease charges	1.2	1.5

8 Auditor's remuneration

Auditor’s remuneration was negligible and borne by the ultimate parent company, Marston's PLC. Neither the Company nor the Group incurred any non-audit fees during the current or prior period.

9 Employees

The average monthly number of people employed by the Company and the Group during the period was nil (2019: nil). The Directors received no remuneration in respect of their services to the Company or the Group (2019: £nil). Details of staff costs recharged from associated undertakings are provided in note 5.

10 Interest receivable and similar income

	2020	2019
	£m	£m
Interest income		
Interest on bank deposits	-	0.1

Interest on financial assets not measured at fair value through profit or loss	-	0.1

11 Interest payable and similar charges

	2020 £m	2019 £m
Interest on financial liabilities measured at amortised cost:		
Subordinated loan interest	139.0	124.5
Securitised debt interest	40.5	40.4
	179.5	164.9
Other finance costs:		
Swap recouponing fees	-	0.6
Other interest and similar charges	2.5	0.7
	182.0	166.2

12 Other gains and losses

	2020 £m	2019 £m
Interest rate swap movements		
Reclassification of losses on cash flow hedges to profit or loss	(13.4)	(3.2)
Hedge ineffectiveness on cash flow hedges (net of cash paid)	-	1.9
Change in the value of interest rate swaps held at fair value through profit or loss	4.1	(31.4)
	(9.3)	(32.7)

On 27 March 2019 the Group recouponed the interest rate swap that fixes the interest rate payable on the floating rate elements of its A1, A2, A3 and B securitised notes. The recouponing had the effect of reducing the fixed interest rate paid for the next five years and increasing the fixed interest rate paid in the final four years of the swap's term.

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 will be recognised when the forecast transactions are ultimately recognised in the profit and loss account. Fair value movements in respect of this interest rate swap after 27 March 2019 have been recognised wholly in the profit and loss account.

13 Taxation

	2020 £m	2019 £m
Current tax		
UK corporation tax on results for the current period	(25.4)	(14.2)
Deferred tax		
Origination and reversal of timing differences	(12.8)	(5.3)
Changes in tax rates	1.0	-
Total deferred tax	(11.8)	(5.3)
Total tax credit	(37.2)	(19.5)

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. This will increase the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 3 October 2020 have been calculated at 19% (2019: 17%).

The tax credit for the period can be reconciled to the loss per the profit and loss account as follows:

	2020 £m	2019 as restated £m
Loss before taxation	(200.5)	(117.5)
Expected tax based on the standard rate of corporation tax in the UK of 19% (2019: 19%)	(38.1)	(22.3)
Tax effect of expenses that are not deductible in determining taxable profit	3.8	2.4
Adjustments in respect of prior periods	(3.9)	(0.1)
Effect of change in corporation tax rate	1.0	-
Deferred tax in respect of land and buildings	-	(0.1)
Difference between deferred and current tax rates	-	0.6
Tax credit for the period	(37.2)	(19.5)

13 Taxation **(Continued)**

In addition to the amount recognised in the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2020 £m	2019 £m
Deferred tax arising on:		
Revaluation of property	(6.7)	(0.5)
Cash flow hedges	0.3	(1.7)
Total tax recognised in other comprehensive income	(6.4)	(2.2)

14 Intangible fixed assets

Group	Goodwill £m	Computer software £m	Total £m
Cost			
At 29 September 2019	154.7	9.5	164.2
Disposals	(13.6)	(0.5)	(14.1)
Transfers from associated undertakings	-	4.7	4.7
At 3 October 2020	141.1	13.7	154.8
Amortisation and impairment			
At 29 September 2019	111.7	0.1	111.8
Amortisation charged for the period	8.0	0.6	8.6
Disposals	(9.9)	-	(9.9)
At 3 October 2020	109.8	0.7	110.5
Carrying amount			
At 3 October 2020	31.3	13.0	44.3
At 28 September 2019	43.0	9.4	52.4

The Company had no intangible fixed assets at 3 October 2020 or 28 September 2019.

Amortisation of intangible fixed assets is included within depreciation and other amounts written off tangible and intangible fixed assets as part of trading expenses in the profit and loss account.

15 Tangible fixed assets

Group	Effective freehold land and buildings	Leasehold land and buildings	Plant, fixtures and fittings	Total
	£m	£m	£m	£m
Cost or valuation				
At 29 September 2019 (as restated)	1,212.6	16.1	121.1	1,349.8
Additions	12.9	0.1	9.2	22.2
Disposals	(64.6)	(1.0)	(14.8)	(80.4)
Revaluation	(102.2)	-	-	(102.2)
Transfers to/from associated undertakings	(0.1)	-	1.5	1.4
At 3 October 2020	1,058.6	15.2	117.0	1,190.8
Depreciation and impairment				
At 29 September 2019 (as restated)	0.1	1.9	56.9	58.9
Depreciation charged in the period	-	0.2	11.2	11.4
Eliminated in respect of disposals	-	-	(9.2)	(9.2)
Impairment	-	0.4	-	0.4
At 3 October 2020	0.1	2.5	58.9	61.5
Carrying amount				
At 3 October 2020	1,058.5	12.7	58.1	1,129.3
At 28 September 2019 (as restated)	1,212.5	14.2	64.2	1,290.9

The Company had no tangible fixed assets at 3 October 2020 or 28 September 2019.

The carrying amount of land and buildings comprises:

	Group		Company	
	2020	2019 as restated	2020	2019
	£m	£m	£m	£m
Freehold	1,010.4	1,159.4	-	-
Leasehold land and buildings with a term greater than 100 years at acquisition	48.1	53.1	-	-
Leasehold land and buildings with a term less than 100 years at acquisition	12.7	14.2	-	-
	1,071.2	1,226.7	-	-

15 Tangible fixed assets **(Continued)**

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

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

	Group		Company	
	2020	2019 as restated	2020	2019
	£m	£m	£m	£m
Profit and loss account:				
Impairment	(31.5)	(9.4)	-	-
	(31.5)	(9.4)	-	-
Revaluation reserve:				
Reversal of past revaluation surplus	(71.1)	(6.8)	-	-
	(71.1)	(6.8)	-	-
Net decrease in shareholders' equity/tangible fixed assets	(102.6)	(16.2)	-	-

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	Group		Company	
	2020	2019 as restated	2020	2019
	£m	£m	£m	£m
Carrying amount	832.7	913.7	-	-

The Group's properties are pledged as security for the securitised debt (note 22).

16 Subsidiaries

Details of the Company's subsidiaries at 3 October 2020 are as follows:

Name of undertaking	Nature of business	Class of shareholding	% Held Direct	Indirect
Marston's Pubs Limited	Pub retailer	Ordinary £1	100%	100%

The registered office of Marston's Pubs Limited is Marston's House, Brewery Road, Wolverhampton, WV1 4JT. The cost and net book value of the Company's investment in Marston's Pubs Limited at 3 October 2020 was £1 (2019: £1).

17 Financial instruments

	Group 2020 £m	2019 £m	Company 2020 £m	2019 £m
Carrying amount of financial assets				
Measured at amortised cost	29.9	24.2	-	-
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Derivative financial instruments	183.8	191.3	-	-
Measured at amortised cost	1,891.5	1,813.8	-	-

Details of the Group's long-term borrowings are given in note 22.

The only financial instruments that the Group holds at fair value are interest rate swaps which are classified as derivative financial instruments in the table above. The fair values of the Group's interest rate swaps are 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.

Hedging arrangements

The Group uses its interest rate swaps to fix the interest rate payable on the floating rate elements of its securitised debt (note 22). The fair value of the interest rate swaps designated as hedging instruments is £47.9m (2019: £51.3m).

18 Stocks

	Group 2020 £m	2019 £m	Company 2020 £m	2019 £m
Raw materials and consumables	1.1	1.5	-	-
Finished goods and goods for resale	4.4	4.9	-	-
	5.5	6.4	-	-

19 Debtors

	Group 2020	2019	Company 2020	2019
Amounts falling due within one year:	**£m**	**£m**	**£m**	**£m**
Trade debtors	3.6	3.2	-	-
Corporation tax recoverable	25.4	7.3	-	-
Other debtors	0.7	1.3	-	-
Prepayments and accrued income	0.3	1.9	-	-
	30.0	13.7	-	-
Amounts falling due after one year:				
Deferred tax asset (note 24)	-	16.1	-	-
Total debtors	30.0	29.8	-	-

20 Creditors: amounts falling due within one year

	Notes	Group 2020	2019 as restated	Company 2020	2019
		£m	**£m**	**£m**	**£m**
Other borrowings	**22**	43.5	32.9	-	-
Amounts owed to associated undertakings		1.9	12.0	-	-
Other taxation and social security		6.8	2.6	-	-
Derivative financial instruments		17.5	16.0	-	-
Other creditors		5.9	6.9	-	-
Accruals and deferred income		23.7	17.1	-	-
		99.3	87.5	-	-

Amounts owed to associated undertakings are unsecured, non-interest bearing and repayable on demand. Amounts included within derivative financial instruments falling due within one year relate to interest rate swaps with a maturity of greater than 12 months.

21 Creditors: amounts falling due after more than one year

		Group		Company	
		2020	2019 as restated	2020	2019
	Notes	£m	£m	£m	£m
Other borrowings	**22**	1,840.2	1,762.0	-	-
Derivative financial instruments		166.3	175.3	-	-
		2,006.5	1,937.3	-	-

Borrowings included above which fall due after five years are as follows:

Payable by instalments	516.6	560.2	-	-
Payable other than by instalments	1,163.0	1,049.8	-	-
	1,679.6	1,610.0	-	-

22 Borrowings

	Group 2020 £m	2019 £m	Company 2020 £m	2019 £m
12.5% subordinated loan due to ultimate parent	1,163.0	1,049.8	-	-
Securitised debt	720.7	745.1	-	-
	1,883.7	1,794.9	-	-
Payable within one year	43.5	32.9	-	-
Payable after one year	1,840.2	1,762.0	-	-

On 9 August 2005 Marston's Issuer PLC issued £805.0m of secured loan notes in connection with the securitisation of 1,592 pubs held in Marston's Pubs Limited. On 22 November 2007, a further £330.0m of secured loan notes (tranches A4 and AB1) were issued by Marston's Issuer PLC in connection with the securitisation of an additional 437 of the Group's pubs. The loan notes are secured over the properties and their future income streams and the funds were subsequently lent to Marston's Pubs Limited. On 15 January 2014 Marston's Pubs Limited purchased all the AB1 notes at par. The notes were immediately cancelled and the corresponding balance lent to the Group by Marston's Issuer PLC was treated as having been prepaid by way of set-off in consideration for the surrender of the notes.

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 Marston's Group. As a result of the COVID-19 outbreak Marston's Pubs Limited obtained certain covenant waivers in the current period.

The principal terms and gross amounts outstanding (excluding deferred issue costs) for each tranche of securitised debt are as follows:

	2020 £m	2019 £m	Interest	Principal repayment period - by instalments	Expected average life	Expected maturity date
A1	1.3	18.8	Floating	2020	N/A	2020
A2	214.0	214.0	Fixed/floating	2020 to 2027	7 years	2027
A3	200.0	200.0	Fixed/floating	2027 to 2032	12 years	2032
A4	154.3	161.6	Floating	2020 to 2031	11 years	2031
B	155.0	155.0	Fixed/floating	2032 to 2035	15 years	2035
	724.6	749.4				

22 Borrowings **(Continued)**

The interest payable on each tranche is as follows:

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

All floating rate notes are economically hedged in full by the Group using interest rate swaps whereby all interest payments are swapped to fixed interest payable.

The Group also has a 12.5% subordinated loan due to Marston's PLC, the ultimate parent company. This loan is unsecured and subordinate to the amounts due under the securitisation.

23 Provisions for liabilities

		Group		Company	
		2020	2019	2020	2019
	Notes	£m	£m	£m	£m
Deferred tax liabilities	**24**	10.8	45.1	-	-

24 Deferred taxation

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities	Liabilities	Assets	Assets
	2020	2019	2020	2019
Group	£m	£m	£m	£m
Accelerated capital allowances	11.7	-	-	(16.1)
Tax losses	(1.3)	-	-	-
Property related items	35.0	45.1	-	-
Other timing differences	(0.6)	-	-	0.6
Interest rate swaps	(34.0)	-	-	31.6
	10.8	45.1	-	16.1

The Company had no deferred tax assets or liabilities at 3 October 2020 or 28 September 2019.

24 Deferred taxation **(Continued)**

Movements in the period:	Group 2020 £m	Company 2020 £m
Liability at 29 September 2019	29.0	-
Credit to profit and loss	(11.8)	-
Credit to other comprehensive income	(6.4)	-
Liability at 3 October 2020	10.8	-

25 Share capital

	Group and Company 2020 £m	2019 £m
Ordinary share capital		
Issued and fully paid		
1 ordinary share of £1 each	-	-

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

26 Revaluation reserve

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.

27 Hedging reserve

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve along with any associated deferred tax. Amounts recognised in the hedging reserve are reclassified to profit or loss in the periods when the hedged item is recognised in the profit and loss account.

28 Operating lease commitments

Lessee

The Group leases various properties and items of equipment under non-cancellable operating leases. The leases have various terms, escalation clauses and renewal rights.

28 Operating lease commitments (Continued)

At the reporting end date there were outstanding commitments for future minimum lease payments under non-cancellable operating leases, falling due as follows:

	Group 2020 £m	2019 £m	Company 2020 £m	2019 £m
Within one year	0.7	0.9	-	-
Between one and five years	1.8	2.0	-	-
In over five years	11.9	12.9	-	-
	14.4	15.8	-	-

Lessor
The Group leases a proportion of its licensed estate and other unlicensed properties to tenants. The majority of lease agreements have terms of 21 years or less and are classified as operating leases.

At the reporting end date the following minimum lease payments were contracted with tenants:

	Group 2020 £m	2019 £m	Company 2020 £m	2019 £m
Within one year	10.3	11.9	-	-
Between one and five years	25.4	33.7	-	-
In over five years	14.1	19.4	-	-
	49.8	65.0	-	-

29 Capital commitments

At 3 October 2020 capital commitments were as follows:

	Group 2020 £m	2019 £m	Company 2020 £m	2019 £m
Contracted for but not provided in the financial statements:				
Acquisition of tangible fixed assets	1.1	1.0	-	-

30 Related party transactions

On 9 August 2005 Marston's Pubs Limited was loaned £805.0m by Marston's Issuer PLC and on 22 November 2007 a further £330.0m was loaned by Marston's Issuer PLC. In addition, interest rate swap contracts entered into by Marston's Issuer PLC are used by Marston's Pubs Limited in relation to both the above loans. Interest of £15.4m (2019: £8.5m) had accrued on the loans and associated swaps at 3 October 2020 and capital repayments of £24.8m (2019: £31.7m) were made during the period. The total amount payable in relation to the swap arrangements at the period end was £183.8m (2019: £191.3m). Total interest charged was £40.1m (2019: £39.9m) and the outstanding balance of the loans at the period end is disclosed in note 22.

31 Controlling party

The immediate parent undertaking is Marston's Corporate Holdings Limited. The ultimate parent undertaking and controlling party is Marston's PLC, which is the parent undertaking of the smallest and largest group to consolidate the financial statements of Marston's Pubs Parent Limited. The registered office of Marston's PLC is Marston's House, Brewery Road, Wolverhampton, WV1 4JT and copies of the Marston's Group accounts can be obtained from the Group Secretary at this address.

32 Cash generated from Group operations

	2020 £m	2019 as restated £m
Loss for the period after tax	(163.3)	(98.0)
Adjustments for:		
Taxation credited	(37.2)	(19.5)
Finance costs	182.0	166.2
Investment income	-	(0.1)
Loss on disposal of tangible fixed assets	17.1	2.0
Write-off of goodwill on disposal	3.7	0.9
Loss on disposal of intangible fixed assets	-	0.1
Amortisation and impairment of intangible fixed assets	8.6	8.8
Depreciation and impairment of tangible fixed assets	42.9	21.0
Other gains and losses	9.3	32.7
Movements in working capital:		
Decrease/(increase) in stocks	0.9	(0.2)
Decrease/(increase) in debtors	1.2	(0.2)
Increase/(decrease) in creditors	4.2	(1.6)
Intercompany movement	(10.1)	5.7
Cash generated from operations	59.3	117.8

33 Prior period adjustments

In order to provide more reliable and relevant information in respect of its property assets the Group has split the land and buildings asset class within tangible fixed assets into an effective freehold class and a leasehold class.

The effective freehold class comprises land and buildings which are either freehold or are in substance freehold assets. 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. The leasehold class comprises all other leasehold land and buildings.

It is considered that the two groupings above comprise assets which have a different nature and use within the Group's operations and as such it is appropriate to classify them as separate asset classes under Section 17 ‘Property, Plant and Equipment’ of FRS 102. Leasehold assets derive their value solely from generating income over the lease term and their use/development can be restricted, whereas with effective freehold assets there is additional value from the underlying property asset (including alternative uses and development potential), the assets can be used as security and the value of the property asset is generally maintained over time. It is considered that providing information separately for these two different classes will provide more reliable and relevant information.

The Group has adopted the revaluation model for the effective freehold class and the cost model for the leasehold class. The land and buildings asset class has been held under the revaluation model and as such the measurement basis for assets in the leasehold class has changed. This has been treated as a change in accounting policy and has been applied retrospectively in accordance with Section 10 ‘Accounting Policies, Estimates and Errors’ of FRS 102 and as such the comparatives for the period ended 28 September 2019 have been restated.

The Group has also identified an adjustment to the prior period regarding the split of derivative financial instruments between amounts falling due within one year and amounts falling due after more than one year. The appropriate accounting treatment has been applied by retrospective restatement in accordance with Section 10 ‘Accounting Policies, Estimates and Errors’ of FRS 102.

The impact of these retrospective restatements on the balance sheet and profit and loss account for the period ended 28 September 2019 has been set out below.

Changes to the balance sheet - Group

	At 28 September 2019		
	As previously reported	**Adjustment**	**As restated**
	£m	**£m**	**£m**
Tangible assets	1,293.6	(2.7)	1,290.9
Creditors: amounts falling due within one year	(211.5)	124.0	(87.5)
Creditors: amounts falling due after more than one year	(1,813.3)	(124.0)	(1,937.3)
Net liabilities	(668.0)	(2.7)	(670.7)
Revaluation reserve	261.6	(3.3)	258.3
Profit and loss reserves	(812.6)	0.6	(812.0)
Total equity	(668.0)	(2.7)	(670.7)

33 Prior period adjustments **(Continued)**

Changes to the profit and loss account - Group

	Period ended 28 September 2019		
	As previously reported	Adjustment	As restated
	£m	£m	£m
Turnover	409.4	-	409.4
Trading expenses	(318.2)	(0.5)	(318.7)
Exceptional items	(9.7)	0.3	(9.4)
Operating profit	81.5	(0.2)	81.3
Interest receivable and similar income	0.1	-	0.1
Interest payable and similar charges	(166.2)	-	(166.2)
Other gains and losses	(32.7)	-	(32.7)
Loss before taxation	(117.3)	(0.2)	(117.5)
Taxation	19.5	-	19.5
Loss for the financial period	(97.8)	(0.2)	(98.0)