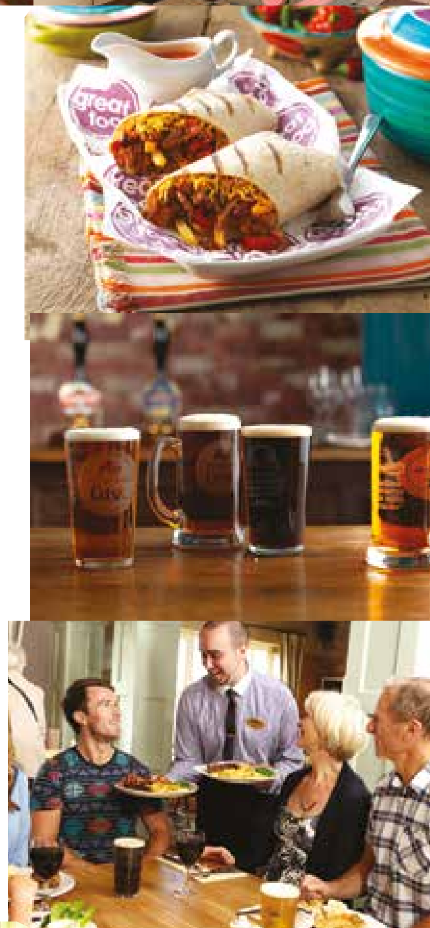


MARSTON'S

Great Times

Marston's PLC

Annual Report and Accounts 2014

Introduction

Strategic Report

Governance

Financial Statements

Other Information

WELCOME TO MARSTON'S

Welcome to Marston's. We offer something for everyone; a welcoming environment, great food, beer and real value for money. We are proud of our pubs and we want our customers simply to think of them as "the best place around here" whatever the business model, format or brand.

Our strategy is for Marston's to grow and increase returns through the continued and sustainable development of great pubs and bars and through a unique portfolio of premium beers and local ales.

For more information:
Our Operating Strategy on page 8

Our business model combines the best people, pubs and beer brands with our innovation, training, heritage and culture to create the best places for socialising, relaxing, celebrating and refreshment and to create the best premium ale business in the UK.

For more information:
Our Business Model on page 6

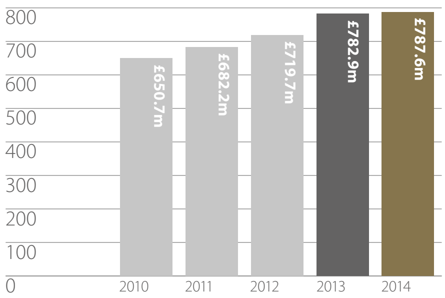
This year we have made good progress in transforming the quality of our pub estate through the continuation of our new-build development plans and the disposal of weaker pubs. Our Brewing business is benefiting from our category leadership in premium ale and new product development.

For more information:
Our Strategy in Action on page 10

Highlights of 2014

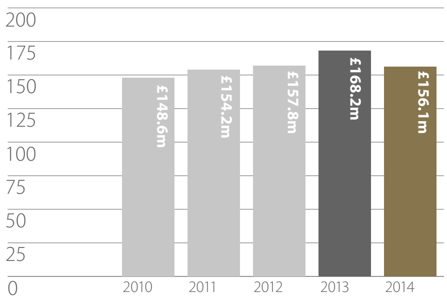
Underlying* revenue

£787.6m



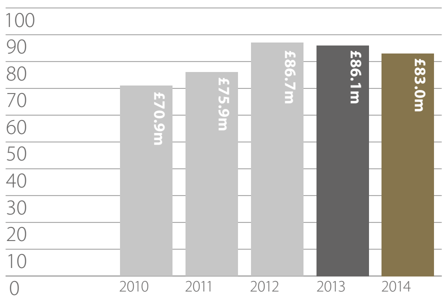
Underlying* operating profit †

£156.1m



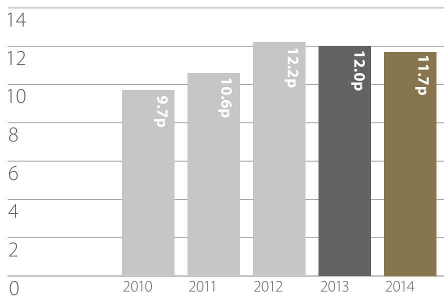
Underlying* profit before tax †

£83.0m



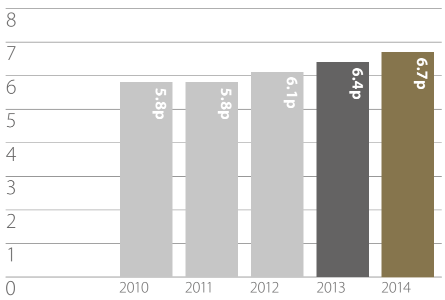
Underlying* earnings per share †

11.7p

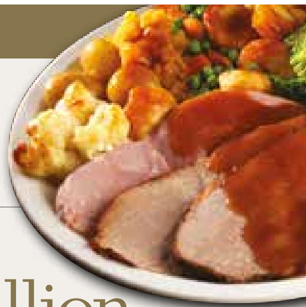


Dividend per share

6.7p



Product highlights

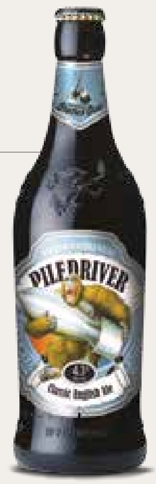


Over 30 million

meals served

67 million

pints of beer served in our pubs



Over 1 million

pints of Piledriver sold since its launch in February 2014

20

pizza ovens installed

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

† Figures restated for 2010 – 2013. See note 35 on page 89 for further details.

GOOD PROGRESS IN STRATEGIC OBJECTIVES



I am pleased to report a satisfactory outcome to the year.

Performance summary

The performance of our pubs and beer brands has been robust, and we have made good progress implementing our key strategic initiatives. Although the underlying numbers for profit before taxation and earnings per share are lower than last year, this is a consequence of planned disposals and the fact that 2013 contained a 53rd trading week: the core business achieved good growth from building new pub-restaurants.

Strategy

Our strategy benefits from being clear and is capable of being achieved through organic development. We consider acquisition opportunities carefully but we already have a sound plan: we are building 20-30 new pub restaurants each year, achieving high returns, and selling pubs which are no longer able to offer customers what they want. Since 2009, we have built over 100 new pub-restaurants – creating 5,000 jobs in the process – and sold around 600 smaller wet-led pubs. The business is changing and becoming more responsive to our customers' needs.

Our ability to develop new ideas and implement them effectively is important to our future growth. Marston's has a reputation for breaking new ground: the new-build programme demonstrates our appetite for transforming our pub estate; the franchise agreements we launched in 2009 have transformed our community pubs; and fast**cask** ™ continues to contribute to the success of Marston's Beer Company. This year we have formed a 'youth board' – in conjunction with The Sun newspaper – to design 'The Pub of the Future'. We are optimistic that this forum will generate good ideas.

Market

The market remains tough, although most economic indicators are showing steady signs of improvement. That has not yet fed through to customers' pockets and so value for money remains vitally important for many pubs in our estate. Nevertheless, we are seeing good opportunities for developing more premium offers, as the success of our Revere pubs, Pitcher & Piano bars and many of our leased pubs demonstrate. Our broad market positioning is a strength.

We have also been able to take advantage of low interest rates to secure long-term finance for our new-build programme at attractive rates. Our ability to raise sensible finance is helped by our freehold ownership of a substantial percentage of the pubs in our estate and that is something that I believe is important to our shareholders, and to us operationally. Some of our future growth may, of necessity, be in leasehold sites but we will not compromise our strong balance sheet.

Board changes

I am delighted to welcome Carolyn Bradley and Catherine Glickman to the Board and I am confident they will help us as we respond to a fast changing market. Roz Cuschieri will be standing down from the Board after the Annual General Meeting after eight years and I thank her for her contribution to our development in that time.

Dividend

In summary, our performance has been good relative to our peer group, we are well positioned for future growth and we are making sound progress against our strategic objectives. We are confident in our prospects and, as a consequence, are pleased to recommend an increase of 4.9% in the final dividend to 4.3 pence per share, representing a full year dividend of 6.7 pence per share (an increase of 5% on 2013).

Finally, and most importantly, I thank our people for their commitment and enthusiasm for Marston's, which is much in evidence in our pubs, our breweries and support operations.

Roger Devlin
Chairman

Chief Executive's Statement

SOLID PROGRESS CONTINUED DIVIDEND GROWTH

These results demonstrate that our strategy is delivering value, achieved through investment in new-builds generating superior returns, the development of franchise-style pubs and, planned disposals.

The transformation of our pub estate is well underway and on plan and we are pleased to report solid progress including growth in our retained pub business and in Brewing.

In looking at the performance for the Group as a whole, our year-on-year comparisons reflect significant disposal activity, in particular the portfolio disposal of 202 pubs in November 2013 (which generated annual revenue of £29.6 million and operating profit of £10.8 million) and the fact that 2013 included a 53rd trading week.

Our plans to invest in pub-restaurants nationally and sell smaller wet-led pubs are on track. We met our targets for the 2014 financial year, opening 27 new-build pub-restaurants including our 100th new-build pub in Dumfries, Scotland. We continue to see good opportunities for future investment at attractive returns.

We also sold 388 smaller wet-led pubs and other assets, realising proceeds of £144 million for reinvestment. As at the year end, the Group's estate comprised 1,689 pubs against 2,050 in 2013.

The continuing successful implementation of our strategy is demonstrated by our financial performance: we are seeing good growth in our Destination and Premium estate, increased exposure to the dining market and, growth in our retained Taverns and Leased estates reflected in a 19% increase in average profit per pub over the last two years.

Additionally, around 75% of profits from our pubs are now generated by managed or franchise-style pubs in which we have direct control over the retail offer. This will continue to increase as we implement our strategy, ensuring that we are better able to deliver consistency of service and standards, and to offer outstanding value to our customers in more pubs.

Our performance in pubs was underpinned by an excellent year in Brewing, where our focus on premium and regional beers reflects strong consumer interest in this segment of the market.

In spite of our disposal activity and a 53rd trading week in 2013, total underlying revenue increased by 0.6% compared to 2013 reflecting the contribution from new pub-restaurants, solid like-for-like sales growth in our pubs and growth in Brewing. Operating margin was 1.7% below last year as a consequence of the conversion of formerly tenanted pubs to franchise-style agreements, which generate higher profits but at a lower percentage operating margin.

Underlying operating profit was £156.1 million (2013: £168.2 million) including the impact of disposals referred to above and the non-recurrence of the 53rd trading week. Allowing for these, underlying operating profit increased in each of our core business segments.

Underlying profit before tax was £83.0 million (2013: £86.1 million) with lower interest charges from debt repayments partially offsetting the impact of disposals. Basic underlying earnings per share for the period were 11.7 pence per share (2013: 12.0 pence per share).

Net debt at the period end was £1,198 million. Net debt includes £1,043 million of long-term structured finance with a stable repayment profile and no exposure to increases in interest rates. Excluding property leases with freehold reversion entitlement, the ratio of net debt to underlying EBITDA was 5.4 times at the period end. Net debt to EBITDA is expected to reduce over time as this long-term debt amortises, and it remains our intention to target a ratio of around 5 times in the medium term. We have significant flexibility in our financing options, including the selective use of sale and leaseback where appropriate, without compromising our preference for an estate of which more than 90% is freehold.

Cash return on cash capital employed remains strong at 10.5%. This is slightly behind last year reflecting the short-term effect of the portfolio disposal in November 2013. We remain focused on improving returns and are confident that the implementation of our strategy will increase returns over time.

The proposed final dividend of 4.3 pence per share provides a total dividend for the year of 6.7 pence per share, and represents a 5% increase on 2013. Dividend cover was 1.7 times (2013: 1.9 times) reflecting the portfolio disposal. Our dividend policy remains to target consistent progressive increases in dividend at a cover of around 2 times over the medium term.

Current trading

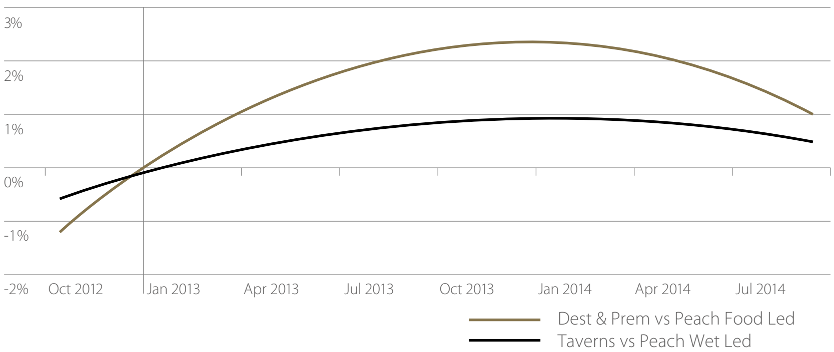
The year has started well, with like-for-like sales growth in Destination and Premium pubs of 2.1% for the 7 weeks to 22 November including food sales growth of 2.1% and drinks sales growth of 2.0%. Operating margins are up on last year. In Taverns, like-for-like sales have grown by 2.0% and in Leased, profits are up on last year. In Brewing, trading is ahead of last year with another strong Halloween performance by Hobgoblin.

Ralph Findlay
Chief Executive Officer

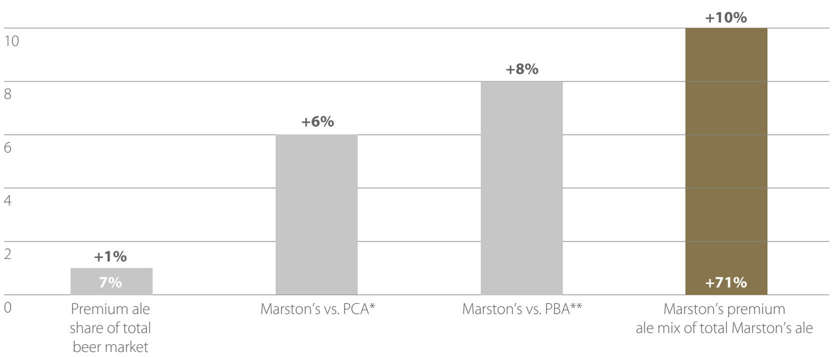
OPERATING IN THREE ATTRACTIVE MARKETS

We operate in the eating-out and drinking-out markets through our pubs and the UK on-trade and off-trade; and we export to 59 countries worldwide. We are constantly reviewing and researching the markets in which we operate and seeking feedback from our customers to better understand their needs. This informs our innovation and development initiatives that improve our standards, service and range to gain market share.

Like-for-like (LFL) sales growing ahead of market
Marston's vs Peach Pubs (outside M25) – 2 Year Trand



Premiumisation driving beer market – and Marston's
Premium ale 2014 vs 2010



*PCA – Premium Cask Ale
**PBA – Premium Bottled Ale

UK pub market

We operate pubs and bars under different business models – managed, franchised, tenanted and leased – in one business division. This maximises our operating flexibility and ensures that we are better placed to apply our consumer insights throughout the business. We invest in new build pub restaurants which meet increasing demand for informal dining, and align our community pubs to the changing needs of today s pub customers.

Eating out

Our pubs offer a variety of eating out options and experiences from snacking and grazing to Sunday roasts. We aim to offer great value and high levels of service in a traditional pub environment. Our research and development teams monitor trends and behaviours to ensure that our food offers remain attractive to customers.

Brewing

We have a permanent range of 22 cask beers and brew over 40 guest ales every year on a seasonal basis. Over 1 in 5 bottles of ale sold in the UK are Marston s beers and our premium cask and bottled ales continue to outperform the market.

Trends

The importance of the pub to the UK consumer remains very strong and there is increased demand for pub-restaurants offering value and quality, and community pubs being the place for socialising, drinking and eating. Pubs have increased their share of the eating-out market and the UK drinking-out market is showing signs of recovery particularly in premium drinks consumption. However, there continues to be polarisation between the success of well invested pubs in good locations with a clear offer and the weaker performance of under-invested pubs in poor locations, and this has been exacerbated by increased political and economic pressures in recent years. This has resulted in the reduction of the population of pubs in the UK in total, but the pubs that remain are of significantly higher quality.

Impact

Whilst pubs continue to close, those that offer a compelling reason to visit will survive and succeed. These include pubs that offer a more family-friendly or female-friendly environment or the right combination of quality and value food and drink offer. Those that are not able to compete effectively tend to be the smaller wet-led pubs which lack the position or scale to be viable businesses for Marston's; they have also suffered most from the Government's taxation and legislative changes in recent years. Marston's has long argued that fair, sustainable rents and a partnership approach are vital for the success of tenanted and leased pubs.

Response

Our success is built on providing pubs that people want: new-build pubs that match the needs of our customers in a particular location; a range of operating formats that allow us maximum flexibility in determining the service style and product range; a rolling refurbishment programme ensures that our estate remains attractive. In addition all of our tenanted and leased pub agreements comply with the Pub Industry Framework Code of Practice and we are currently reviewing the latest Government response to the consultation paper. Our franchise agreements enable us to take greater control of the retail offer and standards allowing the franchisee to focus on sales and share in the profits generated. Those pubs that are no longer viable are sold and the proceeds re-invested in improving the quality of our estate.

To understand the habits of the younger generation we recently launched the Pub of the Future Board.

Trends

The UK eating-out market has grown by 2.8% in the last year – the strongest since the start of the recession. Although consumer confidence has started to return, and with it customers' disposable income, eating-out habits have changed. Consumers are more discerning in their desire for great service, high quality food and drink and value for money. The influence of the US in dishes, flavours and the desire to customise one's own meal remains, as well as a more casual approach to eating out.

One of the biggest challenges facing pubs in the future is how to attract the younger customer group (the Millennials) who have grown up eating and drinking in a wide range of outlets. They eat and drink out more often, yet their spend per visit is lower than the average pub customer.

Impact

Being thrifty and seeking value deals is now the norm and customers have greater choice in a more diverse and competitive leisure landscape. In spite of an eye on the budget, when customers go out they like to treat themselves with the occasional indulgence and whilst the frequency of visits has fallen the average spend per visit is up.

A change in consumer eating habits is leading to a shift in traditional mealtimes and a rise in grazing and snacking throughout the day.

Customers are seeking more from their leisure activities, including when eating out, and they want to understand the story behind their experience, whether it's the dish's provenance or the influence of the Company's heritage on the whole experience.

Response

We seek to understand our customers' needs through focus groups, customer experience surveys and research. This has led us to develop programmes designed to improve the customer experience such as 'Know your Customer' and 'Best in Glass' training. In addition, our food and drink innovation focuses not only on the product but also service style, promotions and merchandising. 'Masters of Cask' aims to drive awareness of Marston's 180 years of brewing experience, our Master Brewers and the ingredients and processes that go into creating our cask ales.

The Garden Grill Company menu meets the growing demand for BBQ and smoked foods and pizza ovens have been introduced into more of our pub-restaurants to broaden the appeal. For that occasional treat, we have launched an ice cream parlour serving Beechdean Dairy ice cream and introduced more indulgent dessert ranges.

For more information:
Visit us at www.marstons.co.uk

Trends

The total beer market in the UK, which has been consistently declining in total volume, returned to growth in 2014 driven by a year of strong sales growth in the off-trade for home consumption. Whilst a modest growth indicator is unlikely to represent a change in the trend for total beer sales there are certain categories of beer where sales are increasing; specifically premium lager and premium ale. Drinking at home remains a value equation for consumers based on quality as well as price.

The value of the Premium Bottled Ale (PBA) market in the off-trade now stands at £460 million. This is forecast to increase to £1 billion by 2020. The volume of beer consumed in pubs has remained under pressure, however the market for cask ale remains resilient.

Impact

The current switch to off-trade is expected to continue apace. Cask continues to recruit new drinkers from other beer categories and brand and category innovation is attracting more shoppers to the PBA category. Seen as experiential and locally produced, Marston's is in a strong position to exploit these trends.

Response

Our five breweries and six brand families enable Marston's to react and develop the portfolio around these growth categories. PBA and cask and craft beers place Marston's at the heart of nationally available local beers. Our own brands and more collaborative beers with Status Quo (Piledriver), American brewer Shipyard of Maine USA and 'Help for Heroes' have been successful in responding to the trend.

HOW WE DELIVER VALUE TO OUR SHAREHOLDERS

We create shareholder value through delivering sustainable and profitable growth of our business. We aim to do this by being the best place for socialising, relaxing, celebrating and refreshment together with being the UK's leading ale brewer.

OUR BUSINESS MODEL

The achievement of our goals is underpinned by the Marston's way of doing business – we call it **Marston's-ness**. Taking the best ingredients and applying our own recipe is something that makes us different. We think and act differently rather than follow others.

OUR RECIPE

- having curiosity about our markets and customers and what drives them
- having passion for a business with a great heritage
- finding new and better ideas to build on the traditional strengths of our long-established business
- being as careful with our shareholders' assets and money as with our own
- recognising our responsibilities – to customers, colleagues, communities, the environment and Government
- acting with 'Fairness, Integrity and Transparency' in all we do
- taking pride in doing things properly

OUR GOALS

ACHIEVING OUR STRATEGIC OBJECTIVES

- **Sustainable growth**
- **Increased RoC**
- **Reduced leverage**

BEST PLACE FOR SOCIALISING, RELAXING, CELEBRATING & REFRESHMENT

- **High quality estate**
- **Operating a range of formats**
- **Offering value, excellent service and good food and drink**

THE UK'S LEADING ALE BREWER

- **Leadership in the premium ale market**

OUR KPIs

Earnings per ordinary share[1]

2014	11.7p
2013	12.0p
2012	12.2p

CROCCE

2014	10.5%
2013	10.5%
2012	10.6%

Free Cash Flow

2014	£48.6m
2013	£85.6m
2012	£92.4m

Earnings per ordinary share
EPS is a widely used profitability and valuation measure.

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

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

New-builds completed

2014	27
2013	22
2012	25

Employee engagement

2014	79%
2013	81%
2012	77%

LFLs vs. market

2014	0.9%
2013	1.6%
2012	

No. of main meals served

2014	31.7m
2013	29.2m
2012	26.0m

New-builds completed
The new-build programme is the key driver of profit and returns growth within our business. We plan to open at least 25 sites per annum in future, spending around £80 million per year.

LFLs vs market (Destination and Premium)
One of our goals is to be the "best place around here". This is most appropriately measured by comparing our like-for-like sales performance relative to the market (based on the Coffer Peach Business Tracker). Historical comparatives prior to 2013 are not available due to the changes in our operating segmentation

Employee engagement
Our customers expect excellent service across our business. We believe that if our employees are engaged with us, as their employer, and our strategic objectives, this will manifest itself in the form of great service, both externally and internally, thereby improving sales and profits.

No. of main meals served
Since the inception of the 'F-Plan' in 2005 we recognised the shift towards food as a key driver of growth. The number of main meals served is the key volume indicator of growth in food and provides the foundation from which increased spend per head can be achieved, through selling additional products such as starters, desserts and coffee.

Market share of premium cask ale

2014	16.4%
2013	17.9%
2012	18.0%

Market share of premium bottle ale

2014	21.4%
2013	23.1%
2012	20.7%

1. Before exceptional and other adjusting items and restated. See note 35 on page 89 for further details.

Market share of premium ale
We are currently the market leaders in premium cask and premium bottled ale and seek to maintain this status. In order to measure our relative performance to our competitors, market share information is the most relevant indicator.

HOW WE DELIVER OUR GOALS

Marston's operates around 1,700 pubs and bars across the UK under different business models – managed, franchised, tenanted and leased – in one business division. Our pub segments are Destination and Premium, Taverns and Leased. In our other division we run five breweries.

Destination and Premium
Destination pubs are larger, food-led managed pubs and include our new-build pub-restaurants. We aim to offer great value and high levels of service in a traditional pub environment – ideal for day-to-day convenience, special treats and celebrations. Our Premium pubs and bars include Pitcher & Piano and Revere pubs in premium locations. We have 700 rooms in around 40 of our Destination and Premium pubs.

Taverns
Our community pub estate includes franchised, managed and tenanted pubs. Great community pubs are about socialising, entertainment, good value food and drink and licensees who know their customers.

Leased
Some of the best pubs in our estate are operated by highly skilled lessees who run these pubs independently with exceptional service and high quality offers.

Brewing
Our five breweries, of differing scale, located from the North to the South of England protect our heritage, support innovation and enable us to brew high quality, distinctive beers with true authenticity and provenance. We are market leaders in premium cask and bottled ale. Our national drive brands of Pedigree and Hobgoblin feature in the top 20 bottled beer brands.

For more information:
Our Strategy in Action pages 10 – 12

DESTINATION AND PREMIUM STRATEGY

TAVERNS STRATEGY

LEASED STRATEGY

BREWING STRATEGY

Estate development

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

Consumer focus

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

Objectives

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

Progress

- Completion of over 100 new-builds in the last seven years
- Food mix accounts for 53% of sales
- Like-for-like sales and margin growth in the last three years

Future plans

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

Evolution of franchise

- Low barriers to entry
- Simple model
- Efficient operation

Consumer focus

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

Objectives

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

Progress

- Around 535 sites operating under franchise agreement
- Franchised pubs profit growth over past three years
- 342 pubs disposed of in 2014

Future plans

- Target around 200 franchise conversions over the next two years
- Development of food offers more appropriate for community pubs
- Target 200 individual pub disposals over next year

Stable estate

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

Consumer focus

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

Objectives

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

Progress

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

Future plans

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

Strong presence in local markets

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

Premium focus

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

Objectives

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

Progress

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

Future plans

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

Our Strategy In Action

Marston's strategy is based upon a clear returns-led focus. Our Group strategic objectives remain sustainable growth, reduced leverage over time and maximising return on capital. The potential for acquisitions is regularly assessed and reviewed against the consistently strong returns achieved through organic investment in the Group's programme of new-build pub-restaurants.

#1 OPERATING A HIGH QUALITY PUB ESTATE

Building new pub-restaurants

Since 2009 we have opened over 100 pub-restaurants offering family dining at reasonable prices. These pubs generate high turnover, typically averaging £27,000 per week with a food sales mix in excess of 50%. Good site selection has generated consistent returns on investment, extended our trading geography to include southern England and Scotland and created significant value for shareholders. We opened 27 pub-restaurants in 2014, creating 1,500 jobs and expect to open at least 25 in both 2015 and 2016, with sites also being acquired for longer-term development. The trading style of our new-build pub-restaurants is described in more detail within the 'Destination' section that follows on the next page.

Innovation and investment in community pubs

We pioneered franchise-style agreements in 2009 to improve customer experiences and enhance earnings in our community pubs. In 2014, the success of pub franchising was demonstrated through the award of the British Franchise Association's 'Young Franchisee of the Year' to a Marston's licensee. Franchise-style agreements now operate in 535 Taverns pubs with our aim being to convert most of the remainder by 2016.

Franchise-style agreements differ significantly from traditional tenanted and leased models. The pub operating model is directed by Marston's, the agreements do not include rent of payments for beer and, risks to the licensee are reduced. In our view, therefore, it is unlikely that the introduction of 'market rent only' options as recently proposed by Parliament will have a material impact on pubs in our Taverns estate.

Disposal of smaller wet-led pubs

We disposed of 388 pubs and other assets during the year generating proceeds of £144 million, and anticipate generating a further c£70 million of proceeds in 2015, mainly from disposals in Taverns.

Strategy in Action - Case Study

THEATRE OF FOOD

Pizza Kitchen's introduced into our Two for One pub restaurants. Pizzas are cooked from scratch, fresh to order and 'front and centre within the pub, not behind closed doors.

The Garden Grill Company menu, ordered, prepared and served from the outside kitchen and bar area offers BBQ style food that consumers can customise from the choices available.

We have also launched an authentic ice cream parlour that offers consumers an 'at bar' ice cream experience.

For more information:
Visit us at www.marstons.co.uk

Strategy in Action - Case Study

INNOVATION AND INVESTMENT IN COMMUNITY PUBS

The Best in Glass perfect serve training programme ensures drinks are delivered to the desired high quality standard each time they are ordered in any of our pubs.

Masters of Cask showcases Marston's brewing expertise, talking about our Master Brewers and the ingredients and processes that go into creating our cask ales.

Technology

In a number of our community pubs we have invested in technology to improve the customer experience. This includes interactive touchscreen TVs that display our own Pub TV, digital advertising at till points and at bars and booths that allow customers to play their own music in and an interactive juke box that links to customers mobiles.

For more information:
Visit us at www.marstons.co.uk

#2 OPERATING A RANGE OF PUB BRANDS, FORMATS AND FLEXIBLE BUSINESS MODELS

Destination
Our Destination pubs offer family dining at reasonable prices, with excellent service in a relaxed pub environment. We operate two principal brands – Marston's Two for One, and Milestone Rotisserie. The food sales mix of this business is 57%.

Premium pubs and bars
Our Pitcher & Piano bars and Revere pubs offer premium food and drink in attractive town centre and suburban locations. The food sales mix is 27%. We converted three pubs to Revere in 2014, and expect three conversions in 2015, with the acquisition of new sites targeted for 2016.

Taverns
Our community pubs include franchised pubs, managed pubs, and tenancies. Over the next 2-3 years we expect that most of our Taverns pubs will be operated under our franchise model. Typically, these are 'wet-led' pubs although food sales are growing and represented 24% of sales in 2014.

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

Marston's Inns
We offer high quality accommodation in 44 pubs within the Destination and Premium segment. In total, we have around 700 rooms including those in four lodges operated directly by us, with three new lodges planned to be built in 2015.

Strategy in Action - Case Study

YOUNG FRANCHISEE OF THE YEAR

Aaron Stewart, franchisee at the Fairways, Sheffield and the Rufford, Mansfield won the bfa s HSBC Young Franchisee of the Year Award 2014.

For more information:
Visit us at www.marstons.co.uk

#3 OFFERING VALUE FOR MONEY, GOOD FOOD AND DRINK, AND EXCELLENT SERVICE

Value
Our customers want great experiences at affordable prices. Good pubs offer outstanding value and customers are using pubs on more occasions, including breakfast and 'coffee shop' visits. In addition, the proportion of the total eating-out market represented by pub-restaurants is increasing and we expect this trend to continue to provide opportunities for growth.

Good food
Our pubs offer a broad appeal to families, females, mature customers, and, increasingly, 'Millennials'. In 2014 the introduction of 'build your own' burgers and burritos proved popular with customers; pizza kitchens, ice-cream parlours and garden grills added theatre and broadened our menu offers and, interest in healthy menu options increased.

This year, in our managed and franchised pubs we served over 30 million meals, 67 million pints of beer, 3 million bottles of wine and 5 million cups of coffee.

A great drinks range
In 2014 we introduced 25 new Marston's beers. These included the Revisionist Craft Beer range, Shipyard IPA, 'collaboration' beers with Status Quo and Elbow, and Pedigree New World Ale. We improved our wine offer through a new supply agreement with Rothschild Wines and signed new spirit contracts in the period.

Our aim is to build on great experiences and to remain at the forefront of innovation in pub retailing. In 2014 we created a 'youth board' in partnership with The Sun newspaper to help create 'The Pub of The Future'. We look forward to developing the ideas which arise from this forum over the coming year.

Excellent service
The foundations for great service are our people; training and development continues to be important in maintaining our high quality service and standards.

We are proud of our investment in training and development. In 2014 we created 400 apprenticeships and delivered around 20,000 training days. Our 'keyholder' training programme offers our pub employees a clear career development path, and our Brewing business offers comprehensive training to our sales, customer service and brewing teams.

This investment produces results. Our employee satisfaction score of 79% is very high compared to other retailers and, in our pubs, our customer satisfaction scores continue to improve and we are outperforming our competitors.

In October 2014 we won the 'Best Pubs & Bars Employer' (large group category) award in the Caterer.com's Best Employers in Hospitality Awards 2014, based on employee votes. In our Brewing business our Customer Service team were awarded a Customer Service Excellence award, as well as Emma Gilleland receiving the industry accolade of All Parliamentary Beer Group 'Brewer of the Year'. We were also delighted to receive the Publican's Morning Advertiser 'Best National Cask Ale Supplier' award.

Further customer service enhancements are expected following the introduction of a new EPOS system in 2015.

#4 LEADERSHIP IN THE BEER MARKET

Many beer drinkers have become bored by conventional 'big beer brands' and the market has fragmented with more interest in provenance, choice and taste. Growing demand for premium beers reflects this trend and the increasing importance of it when eating out in pubs.

We have benefited from these trends with our wide portfolio of beers from our five breweries, a national distribution network and 'local' approach to our beer brands. This strategy is successful: one in five premium bottled ales and one in six premium cask ales in the UK are Marston's brands. Over the last five years volume has grown by 30% in premium bottled ale and by 9% in premium cask ale.

In 2014 we were awarded Tesco 2014 'Category Supplier of the Year' ahead of larger, multinational suppliers in other grocery categories. As category leaders, we work hard with our customers to improve the overall performance of the category and through both the Cask Ale Report and the Premium Bottled Ale Report provide valuable insight into current and future trends.

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

Our reputation as a leading brewer, packager and distributor resulted in us securing brewing contracts for both Tetley and Thwaites beers. Furthermore, following the £7 million investment in the bottling line at Marston's Brewery in Burton upon Trent, we contract bottle and distribute for a significant number of other brewers nationwide.

Strategy in Action - Case Study

BRAND EXTENSION AND COLLABORATIONS

Pedigree New World Pale Ale - A contemporary English beer crafted from heritage.

Piledriver – Rockin' All Over The World! Inspired by the re release of the album Piledriver, Status Quo collaborated with Wychwood Brewery to brew a rockin' hop bomb of a beer!

Hobgoblin Gold was launched in June 2014. Carrying the Hobgoblin's moniker, this golden beer appeals to both existing Hobgoblin consumers and to those buying into the brand values, but desiring lighter refreshment.

For more information:
Visit us at www.marstons.co.uk

Strategy in Action - Case Study

AWARD WINNERS

Marston's were awarded the winners of the Best Pubs & Bars Employer (large group category) in the Caterer.com s Best Employers in Hospitality Awards 2014. The award recognises the Company as a leading hospitality employer.

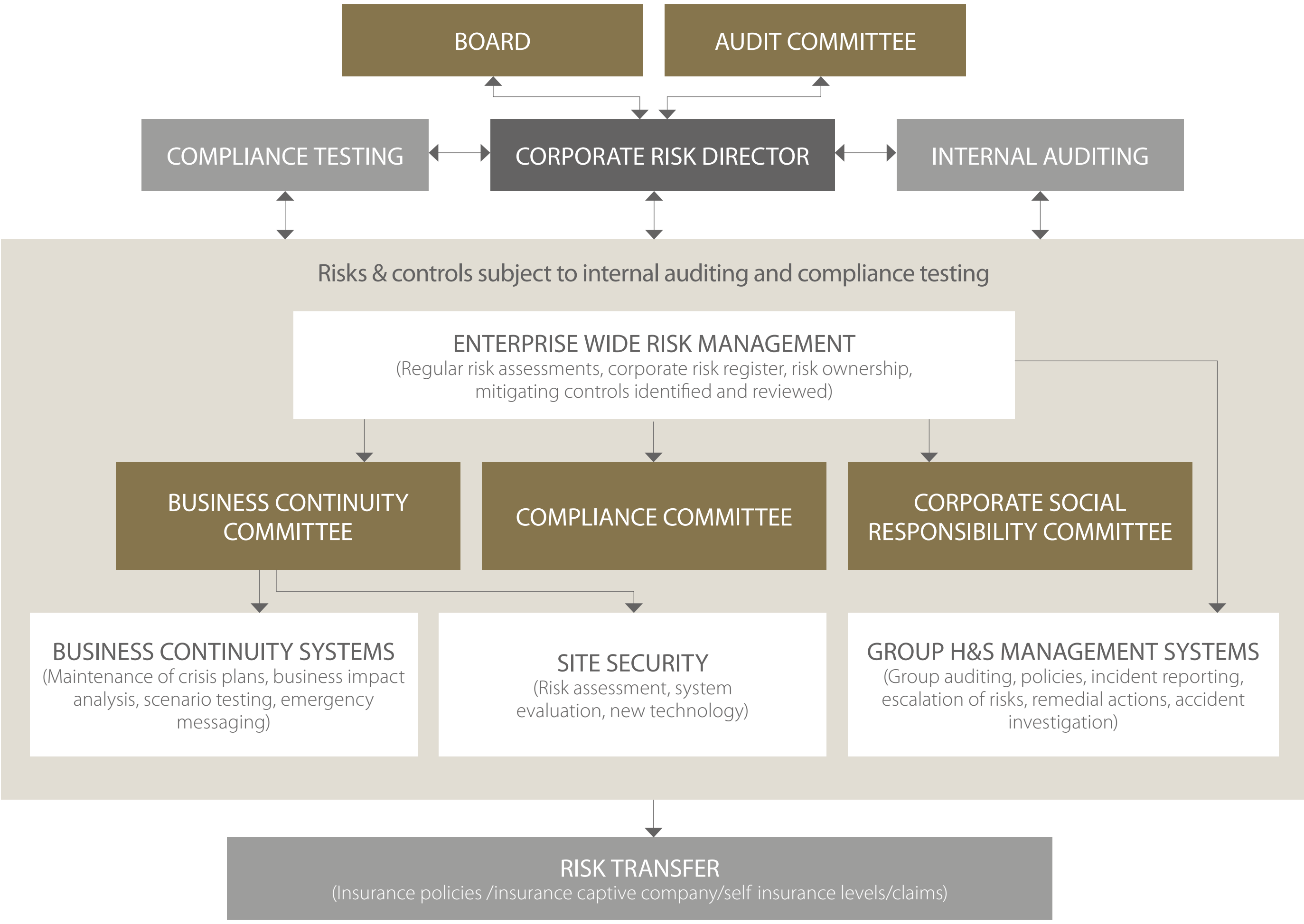
Emma Gilleland received the industry accolade of the All Parliamentary Beer Group 'Brewer of the Year .

Marston's has won 'Best National Cask Ale Supplier' in the 2014 Publican's Choice awards.

For more information:
Visit us at www.marstons.co.uk

Risk Management Framework

Marston's has adopted a formal process of risk identification, assessment and mitigation. The key risks to the business are evaluated and prioritised by senior management and the Corporate Risk Director. These reviews cover strategic, financial, operational and compliance risks; the results are documented in the corporate risk register. The Board reviews the risks annually. The Corporate Risk Director also chairs a number of committees with a responsibility for risk, including corporate social responsibility, compliance and business continuity.



Controls mitigating the key risks are identified. Management are responsible for monitoring and reporting on the effectiveness of the controls. This process helps to ensure that risk management is continually embedded in the operations of the business.

Day-to-day responsibility for operational risks, at the level of the pub or brewery, rests with the pub managers and Head Brewers. The controls operated at each site are part of wider management systems designed to reduce internal risks, including food hygiene, health and safety, business continuity and security. The Corporate Risk Director is responsible for examining whether this risk management framework is effective, and is keeping pace with changes in business operations, regulations and other external factors.

The Corporate Risk Director manages internal auditing and compliance testing. The internal audit strategy takes into account the key business risks and provides assurance to the Audit Committee on the effectiveness of the management systems mitigating them to an acceptable level. The results of audits and compliance tests are reported to the Audit Committee and the executive members of the Board.

Principal Risks and Uncertainties

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

External Risks

Economic

Factor	Risk	Impact	Linked Objectives	Mitigation
We rely upon the spending capacity of our customers. The basic cost of living could rise at a faster rate than income.	Economic uncertainty.	A fall in consumer confidence could impact on our sales, and our investment plans.	• Maximise return on investment. • Sustainable growth. • Investment in new pub-restaurants. • Reduction in leverage.	• Value-for-money proposition. • Customer choice, flexible pricing options and a range of pub brands and formats. • Competitive offering. • High standards of service and quality. • 'F-Plan': eating out often remains resilient to difficult economic conditions.
Movement	↔	The economic climate has improved this year and there is less uncertainty in the short term. Unemployment is falling, however overall the cost of living relative to wages has increased and there is the possibility of an interest rate increase next year.		

Regulatory

Factor	Risk	Impact	Linked Objectives	Mitigation
Marston's operates across heavily regulated areas – alcohol licensing, food hygiene, alcohol production, transport, property development and property management.	Changes in regulation impacting on the cost of business, or obstructing growth.	Increased regulation affecting Marston's directly, our tenants or our suppliers could impact on profit by increasing the cost of compliance.	• Maximise return on investment. • Sustainable growth. • Growth of our franchised pub estate.	• Maintain excellent levels of compliance through training and monitoring. • Robust health and safety management systems. • Compliance Committee monitors compliance and responds to changes in regulation. • Active consultation with Government, trade bodies and the BBPA.
Movement	↑	The Government have announced their intention to bring in a Statutory Code and an Independent Adjudicator to regulate the relationship between pub companies and their tenants. In mitigation of this risk Marston's already operates a Code of Practice, and handles its lease and tenancy agreements in a fair and transparent manner. Additionally, Parliament has recently voted to introduce a market rent only option for tenanted and leased pubs which, if implemented, would have the effect of providing licensees with free-of-tie agreements. In recent years, Marston's has taken steps which minimise the impact of this proposed change, including the introduction of franchise-style agreements in 535 pubs and the disposal of weaker pubs as described in the Strategic Report. We will continue to keep this under review pending clarification of the details of the legislation.		

Investment plans

Factor	Risk	Impact	Linked Objectives	Mitigation
Increased competition for development sites for new pub-restaurants.	Investment plans do not meet expectations.	Reduced return on investment. Investment in new pub-restaurants is slowed.	• Maximise return on investment. • Investment in new pub-restaurants. • Reduction in leverage.	• In-house property team with many years of experience delivering projects. • Tracking of new site availability. • Well managed pipeline of sites into the future.
Movement	↔	Competition for new-build sites has been strong and this is likely to continue, however no shortage of opportunities is envisaged. Marston's has a strong pipeline of sites in development and, in recent years, has expanded its new-build pub-restaurant programme into Scotland.		

Internal Risks

Operational Information Technology

Factor	**Risk**	**Impact**	**Linked Objectives**	**Mitigation**
Marston's has a heavy reliance upon IT networks to operate efficiently, process transactions and report on results.	Network outage. Loss, theft or corruption of data. Denial of service.	Reduction in the effectiveness of operations, business interruption and loss of profit. Regulatory fine as a result of the loss of data.	• Sustainable growth. • High standard of service and quality of products. • Strong reputation. • Legal compliance. • Corporate responsibility.	• 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.
Movement		Global cyber risk threats have increased in the last year. Theft of personal data is on the increase. There is an increased expectation that businesses must manage cyber risk as a key business risk and not just an IT related risk. Future EU legislation could impose much higher penalties for the loss of personal data. Marston's has conducted penetration testing on its network for many years now. The programme of testing has recently been expanded to cover the wider cyber risk now prevalent.		

People Our Staff and Licensees

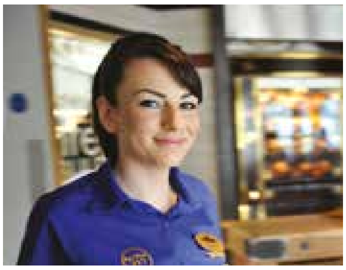
Factor	**Risk**	**Impact**	Linked Objectives	Mitigation
Increased demand for high calibre people. Marston's operates in a very competitive environment; as a result its strategic objectives have a heavy reliance upon the quality of its managers.	Failure to attract or retain the best people.	Financial targets and strategic objectives are not met.	• Sustainable growth. • High standard of service and quality of products. • Strong reputation.	• Training and induction programmes. • Staff appraisals and development programmes. • Staff engagement surveys, and delivery on action points. • Flexible agreements with our tenants and franchisees.
Movement		The sustained growth in our business has allowed for improvements in training programmes, and given more opportunity for staff to progress. Visible action on points raised in staff engagement surveys, such as the proposed redevelopment of our head office, has helped keep our annual staff satisfaction score well in the top quartile.		

Financial Financial Covenants and Accounting Controls

Factor	**Risk**	**Impact**	**Linked Objectives**	**Mitigation**
The company's financial system has to handle a large number of transactions securely. Accurate reporting of financial results is key to running the business effectively, and critically important for compliance with financial covenants.	Incorrect reporting of financial results. Unauthorised transactions. Breach of financial covenants with our lenders.	Loss of investor confidence and reputational damage. Potential loss as a result of fraud. Breach of covenants, resulting in additional financial operating restrictions.	• Sustainable growth. • Strong reputation. • Investor confidence. • Compliance with covenants. • Business financed at rates that allow profit to grow.	• Sophisticated accounting systems. • Detailed management accounts, budgets and forecasts. • Constant monitoring of financial ratios. • Internal audit programme. • Annual external audit. • Extensive segregation of duties. • Access controls over the financial systems accurately aligned with responsibilities. • Levels of authority appropriately authorised.
Movement		There are strong controls mitigating this risk to a low level. There has been no change in the risk since last year.		

CREATING A POSITIVE IMPACT

At Marston's we recognise that we have a responsibility to develop and train our staff, to meet their aspirations and develop their careers. By doing so we also aim to support the continuing success of the business. Full details of how we develop our staff are given in our Corporate Responsibility Report at **www.marstons.co.uk/responsibility**



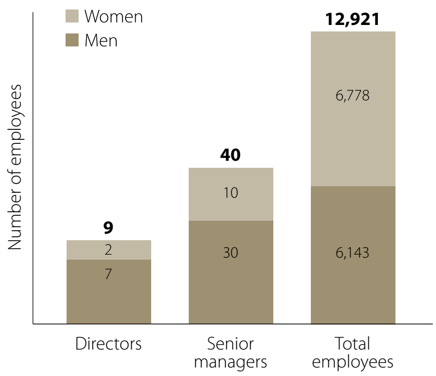
DEPUTY GOING PLACES

Read Tom s story on his career path to Deputy and more on opportunities and training for young people at **www.marstons.co.uk**

Courses completed this year by our pub staff have included:

- over 30,000 online e-learning courses giving our pub staff key entry knowledge, fire marshal and management training;
- 318 Keyholder Development courses by our front of house team which develop supervisors and assistant managers;
- 178 Chef Development courses which provide and support the development of our kitchen teams into Line Chefs, Second Chefs and Head Chefs; and
- 257 manager development courses.

Gender Diversity



Number of employees as at 4 October 2014

Career development

We offer a wide range of structured career development programmes enabling employees to develop their skills, experiences and further their progress within the business.

Marston's actively encourages staff to develop with opportunities to acquire a varied experience across our pubs, distribution centres, breweries and offices. Staff are given the opportunity to progress throughout the business, as evidenced by the career path of many of our senior managers and Directors.

For details of the Marston's graduate schemes, see:
www.marstons.co.uk/responsibility

At Head Office we also offer a range of professional qualifications including accounting (CIMA), surveying (RICS), marketing (CIM) and personnel (CIPD). We sponsor degree and diploma programmes including Brewing Diplomas, Master Brewing qualifications, HGV and logistics.

The Marston's Pub Career Path is our key development tool for pub employees to gain and enhance the skills required for their jobs. It provides a job specific induction programme, as well as e-learning modules covering licensing, food safety, health and safety, fire awareness and first aid.

Professional development programmes are also run each year accredited by the Chartered Management Institute. This year 39 of our staff completed CMI qualifications and we run a coaching and mentoring qualification to provide in-house support for career development.

Our responsibility for safety

Full details of our health and safety systems are given in our online Corporate Responsibility Report. An explanation is given on how we record and monitor incidents across the whole of our pub estate, production and distribution areas. By understanding the causes of accidents we can work to reduce incident rates in the future.

An extensive system of auditing is deployed in our pubs, breweries, depots and offices in order to identify emerging safety risks. The system can escalate outstanding actions and thereby seeks continual improvement. We have three health and safety managers to assist with the auditing, monitor legal compliance, develop safe working practices and provide training.

Each year the Company's record on health and safety is reported to the Board. Following improvements in staff training and better staff engagement, the accident rate in our production and distribution areas has fallen by 27%.

Our People Corporate Social Responsibility

Safety in our Taverns

We have now operated our Ready to Let scheme for franchisees, tenants and lessees for two years. Ready to Let ensures that our pubs are legally compliant upon the commencement of a new agreement and that living areas provide suitable accommodation. The scheme covers all of the essential safety features of the pub, including the fire risk assessment, electrical fixed wiring testing and, the inspection of any gas and electricity appliances. The scheme also ensures that any remedial actions identified are completed; any physical defects are repaired and, any faulty or broken components are repaired or replaced as necessary.

Read more on opportunities and training for young people and all employees at:
www.marstons.co.uk/responsibility

Marston's Community

We are proud that our pubs and breweries are an integral part of their communities. For many the relationship has been longstanding; our oldest brewery in Burton was founded in 1834, and our brewery in Wolverhampton in 1875.

PUB IS THE HUB

This year Marston's contributed £10,000 to the Community Services Fund set up by Pub is The Hub to help pubs in small, often rural communities, adapt and survive changing economic pressures. The charity helps pubs offer additional services to their communities such as shops, play areas, postal services and libraries.

www.marstons.co.uk

At Marston's we recognise that the relationship with our community is an essential ingredient for the appreciation of the distinctiveness of our beer brands and an essential foundation for our pubs.

Our aim is for our breweries to remain the pride of their communities and we are determined that it stays that way. Marston's has a reputation for investing in its smaller regional breweries in Ringwood, Witney and Cockermouth, and the Company is renowned for respecting the provenance and history of its local beers. At Marston's we understand the value of these regional brands within their local communities, for whom they were often originally created and we are able to adapt our offering to suit local tastes and preferences.

Marston's is continually renewing and improving its pub estate. This includes a number of disposals in the last year. Whilst the Company would prefer to see disposals continuing to operate as pubs this is not always economically sensible. The proceeds from these disposals help to fund the building of new pubs, designed to meet the requirements of customers today and those of growing new communities.

Charitable support
We encourage our pubs to actively support local fund raising and other voluntary activities arranged by our customers and staff. Our pubs assist by helping with collections, sponsored activities, the use of our rooms and publicity.

As in previous years the Marston's Inns and Taverns Charitable Trust has matched funds raised by our pub staff. In 2014 the contribution from the Trust totalled £15,000. Marston's also operates an employee charity, supported by contributions from the Company, which in 2014 donated £18,000 to various causes.

Healthy eating
Marston's is meeting its targets set as part of the Department of Health's Responsibility Deal. Progress on our targets is published on the website **www.responsibilitydeal.dh.gov.uk**.

This year we have worked on reducing salt in many of our menu items, achieving a 50% reduction in our puddings, 34% in our bread and rolls, and 10% in our pre-prepared meals. This year we served our customers over 200,000 low calorie meals.

More information on how we are making progress towards our targets under the Responsibility Deal is given in our online Corporate Responsibility Report.

Our attention is focussed on compliance with the new Food Information for Consumers Regulation which comes into effect in December 2014, and requires all food businesses to provide allergen information to customers.

In 2014 we invested in a system to provide more information on nutrition, diet and allergens. Our most frequent requests for information are from customers who are coeliac or intolerant to gluten and wheat. For these customers we increased the number of dishes we offer and launched specially printed menus identifying these dishes. We acknowledge the contribution of our suppliers who have, this year, excelled in their provision of information that enables us to pass on detailed allergen information to consumers.

Alcohol responsibility
Marston's continues to meet its obligations under licensing regulations. Our staff are trained to vigorously operate Challenge 21 and 25 in our pubs. In 2014 our staff recorded in excess of 400,000 challenges to customers to prove their age.

Our online Corporate Responsibility Report features more information on how:
- our beers are marketed responsibly;
- our bottled beers are labelled with unit content and UK Health Department limit guidelines;
- we provide in kind support for Drinkaware, an industry backed Trust which aims to influence consumer behaviour to drink responsibly; and
- we use test purchasing in our pubs to ensure compliance to the law.

Suppliers – ethical sourcing
Our purchasing systems aim to achieve single sourcing of supply wherever possible. This gives us a better understanding of our supply chain. All our staff involved in purchasing have confirmed their acceptance of our ethical purchasing policy which states our commitment to trade in a transparent, confidential and fair manner, taking particular care to ensure that all products come from ethical sources.

Understanding the origin of food ingredients is particularly important to our business. We only use food suppliers who have been accredited by the British Retail Consortium or, where we have the opportunity if required, to carry out site audits of the suppliers' production centres and facilities. Together with our suppliers we seek food stocks and natural raw materials from sustainable sources.

SOLID TRADING PERFORMANCE

	Underlying revenue		Underlying operating profit		Margin	
	2014 (52wks) £m	2013 (53wks) £m	2014 (52wks) £m	2013 (53wks) £m	2014 (52wks) %	2013 (53wks) %
Destination and Premium	376.9	349.2	76.0	70.3	20.2	20.1
Taverns	225.1	250.8	55.7	69.5	24.7	27.7
Leased	53.1	55.6	23.5	26.0	44.3	46.8
Brewing	132.5	127.3	17.4	16.9	13.1	13.3
Group Services	–	–	(16.5)	(14.5)	(2.1)	(1.9)
Group	**787.6**	**782.9**	**156.1**	**168.2**	**19.8**	**21.5**

Destination and Premium
Total underlying revenue increased by 7.9% to £376.9 million reflecting the continued strong performance of our new-build pub-restaurants, growth in like-for-like sales and the non-recurrence of a 53rd trading week. Underlying operating profit of £76.0 million was up 8.1% (2013: £70.3 million). Average profit per pub increased to £213,000, up 3%.

Total like-for-like sales were 3.1% above last year, with like-for-like food sales up by 3.3%, assisted by strong growth in sales of starters, desserts and coffee. We achieved double digit growth in both our room income and machine income. In Destination pubs, food now accounts for 57% of total sales (2013: 56%) and in Premium pubs and bars food is 27% of sales (2013: 25%).

Like-for-like wet sales increased by 2.0%, outperforming the UK on-trade drinks market. We continue to see growth in more premium products, with premium cask ale volumes up 8% and premium lager up 16%.

We achieved a 0.1% improvement in operating margin through moderate price increases and tight cost control.

Taverns
Total underlying revenue decreased by 10.2% to £225.1 million principally reflecting the impact of the significant disposal activity described above and, consequently, underlying operating profit was £55.7 million. The quality of the remaining pub estate has improved significantly with average profit per pub up 4%.

In our managed and franchised pubs like-for-like sales were up 2.1% on last year and operating profits were up 5.7%, reflecting the continued success of pubs operating under the franchise model.

Operating margin was 3.0% below last year at 24.7%, primarily due to the conversion of pubs from tenanted to franchised models. These agreements generate increased profit but the operating margin percentage is reduced as a consequence of accounting for sales at full retail value.

Leased
Total revenue decreased by 4.5% to £53.1 million, principally reflecting significant disposals and the non-recurrence of the 53rd trading week. Underlying operating profit of £23.5 million was down on last year. The performance of the core estate was strong with like-for-like earnings growth of 3%. Average profit per pub increased by 2% to £68,000, and licensee stability remained at over 90%.

As with tenanted pubs, underlying measures of lessee 'health', including rent alleviations, improved during the financial year. Underlying operating margin of 44.3% was down 2.5%.

Brewing
Total underlying revenue increased by 4.1% to £132.5 million. Underlying operating profit increased by 3.0% to £17.4 million.

Overall ale volumes were in line with last year, with premium cask ale volumes up 4% and bottled ale volumes up 6%. Hobgoblin, our largest brand continues to grow with sales up 4% on last year. We have maintained our position as 'category market leader' in both the premium bottled ale and premium cask ale markets.

In the independent free trade, our account base increased to more than 4,150 customers, and premium ale sales to this sector increased by 14%. In the take home market we continue to perform very strongly with volumes up 4%.

Underlying operating margin was slightly down versus last year at 13.1%.

Capital expenditure and disposals

Capital expenditure was £142.6 million in 2014 (2013: £150.8 million), including the construction of 27 pub-restaurants. We expect that capital expenditure will be around £150 million in 2015, including around £80 million for the construction of at least 25 new pub-restaurants.

During the year we generated £143.6 million of cash from the sale of 388 pubs and other assets.

Financing

At 4 October 2014 the group had a £257.5 million bank facility to November 2018, and the amount drawn down at 4 October 2014 was £212million. This facility, together with a long-term securitisation of approximately £0.9 billion and the lease financing arrangements described below provides us with an appropriate level of financing headroom for the medium term. The Group has sufficient headroom on both the banking and securitisation covenants and also has flexibility to transfer pubs between the banking and securitisation groups.

The Group has entered a number of lease financing arrangements which have a total value of £158.1 million as at 4 October 2014. This financing is a form of sale and leaseback agreement whereby the freehold reverts to the Group at the end of the term at nil cost, consistent with our preference for predominantly freehold asset tenure. The agreements range from 35 to 40 years and provide the Group with an extended debt maturity profile at attractive rates of interest. Unlike a traditional sale and leaseback, the associated liability is recognised as debt on the balance sheet due to the reversion of the freehold.

Net debt before lease financing of £1,040 million at 4 October 2014 is a decrease of £42 million compared to £1,082 million at 5 October 2013 partially reflecting the repurchase of the AB1 notes in the securitisation. Operating cashflow of £127.8 million was below last year principally due to the impact of the disposal activity in the year and an adverse movement in working capital in the period, which is principally in relation to creditors.

For the period ended 4 October 2014 the ratio of net debt before lease financing to underlying EBITDA was 5.4 times (2013: 5.3 times). It remains our intention to reduce this ratio to below 5.0 times, principally through EBITDA growth generated from our new-build investment programme.

Pensions

Our final salary pension scheme at the year end showed a surplus of £7.8 million before tax (2013: £5.1 million deficit). This position reflects the consistent manner in which the Group has protectively managed its deficit over the last five years, and the closure of the final salary scheme to future accrual from 30 September 2014. The triennial valuation of the scheme was due on 30 September 2014 and we expect to report on this at our 2015 Interim Results.

Taxation

The underlying rate of taxation of 19.6% in 2014 is below the standard rate of corporation tax of 22% due to a combination of: prior year adjustments, the benefit of indexation allowance in deferred tax on property and the lower deferred tax rate of 20%.

The underlying tax rate has decreased by 1.1% from 20.7% in 2013.

Non-underlying items

There is a net non-underlying charge of £117.4 million after tax of which circa £100 million is non-cash. The net charge includes a loss on disposal of £35.8 million in respect of the portfolio sale of 202 pubs together with a £1.9 million loss in respect of the ongoing management of these pubs. £37.5 million of revaluation surpluses from the portfolio sale were transferred from the revaluation reserve to retained earnings upon disposal. In addition there is a charge of £50.6 million relating to non-core estate disposal and reorganisation costs from the restructuring of our operations across the Group, a charge of £29.5 million relating to the recognition of onerous lease provisions and associated leasehold impairments, a charge of £27.2 million relating to the buyback of the securitised debt and a loss of £8.2 million in respect of the mark-to-market movement in the fair value of certain interest rate swaps. These charges are offset by a credit of £10.8 million in respect of the closure of the defined benefit pension plan, a £0.2 million reduction in the interest accrued in respect of the Rank case and a credit of £24.8 million relating to the tax on non-underlying items.

As a consequence, there is statutory loss for the year of £50.7 million and loss per share of 8.9 pence per share.

Strategic Report Approval

The Strategic Report, outlined on pages 1 to 19, incorporates 2014 Highlights, Chairman's Statement, Chief Executive's Statement, Market Overview, Our Business Model, Our Operating Strategy, Our Strategy in Action, Marston's Risk Management Framework, Principal Risks and Uncertainties, Our People, Marston's Community and Performance and Financial Review.

By order of the Board

Ralph Findlay
Chief Executive Officer
27 November 2014

Corporate Governance Report

Chairman’s Introduction

Dear Shareholder
I am pleased to present the Board’s annual report on corporate governance. Marston’s is committed to maintaining high standards of corporate governance, which we regard as essential to support the sustainable growth of our business and to protect shareholder value. This review, together with the reports of the Nomination, Audit and Remuneration Committees, provides an overview of our corporate governance practices and summarises our activities in this area during the year.

Succession
There have been a number of changes to the Board during the year, reflecting the work of the Nomination Committee in ensuring the appropriate mix of skills and experience. Lord Hodgson retired from the Board in January 2014 and Neil Goulden was appointed Senior Independent Director and Chairman of the Remuneration Committee. Whilst Neil remains a member of the Audit Committee, Nick Backhouse replaced him as the Chairman of that committee.

In September Rosalind Cuschieri announced her intention to retire from the Board following the 2015 AGM and, on behalf of the Board, I would like to thank Roz for her valued contribution during the last eight years. During the year, we also announced the appointments of Carolyn Bradley and Catherine Glickman to the Board. Their appointments will enhance the breadth of experience amongst our Board members. Carolyn joined the Board with effect from 1 October 2014 and Catherine commences her appointment on 1 December 2014. Further details on the Board’s composition are given at page 25.

Remuneration
The Remuneration Committee has continued to focus on ensuring there is a direct link between rewards and performance. The Committee has also reviewed emerging best practice to ensure that disclosures meet the new regulations in a clear and concise manner.

Audit
As part of the Board’s commitment to ensuring fresh and appropriate challenge in managing risks and internal control assurances the Audit Committee conducted a tender of the internal audit outsource provision.

Statement of compliance
The Board considers it has fully complied with the main principles of the September 2012 UK Corporate Governance Code (the “Code”) during the reporting year under review. The Code is available on the Financial Reporting Council’s website (**www.frc.org.uk**).

Roger Devlin
Chairman
27 November 2014

Leadership and the Board of Directors

Role of the Board

The Board is collectively responsible to shareholders for the long-term success of the Company. The Board has met nine times this year, allowing it to effectively monitor the Company's progress against its strategic aims and within the risk management framework. A schedule of matters specifically reserved for the Board's decision is in place and includes matters relating to: strategy, major capital expenditure, acquisitions and disposals, capital structure and financial results, internal controls, governance and risk management, committee membership and terms of reference. The schedule was reviewed at the September 2014 Board meeting and is available on our website.

Roles and responsibilities

There is a clear division of responsibility between the roles of the Chairman and the Chief Executive Officer (CEO) which are set out in writing and agreed by the Board.

Chairman	Chief Executive Officer
Roger Devlin is responsible for: • Ensuring each Non-executive Director makes an effective contribution to the Board through debate and discussion with the Executive Directors. • The effective operation, leadership and governance of the Board. • Ensuring effectiveness of the Board. • Setting the agenda, style and tone of Board discussions with a particular focus on strategic matters. • Ensuring through the Company Secretary that the Directors receive accurate, timely and clear information.	Ralph Findlay is responsible for: • The performance of the Company in line with the strategies and objectives established by the Board and under powers delegated by the Board. • Ensuring the Board is supplied with information relevant to its strategic role. • Leading the Executive Directors and senior management in dealing with the operational requirements of the business. • Providing clear and visible leadership in business conduct.

Senior Independent Director

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

Company Secretary

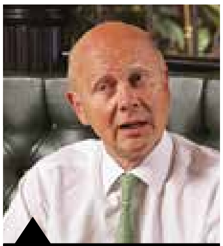
Anne-Marie Brennan is responsible for, under the direction of the Chairman, ensuring effective information channels within the Board and its Committees, and between senior management and Non-executive Directors, as well as facilitating induction activities for Directors and assisting with their development as required.

Non-executive Directors

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

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

Board of Directors



Roger Devlin
Chairman

Ralph Findlay
Chief Executive Officer

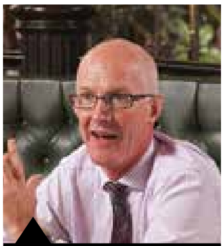
Andrew Andrea
Chief Financial Officer

Carolyn Bradley
Non executive Director

Rosalind Cuschieri
Non executive Director

Robin Rowland
Non executive Director

Name	Position	Length of service on Board (as at 4/10/2014)	Independent	Public company experience	Operational experience
Roger Devlin N	Chairman Chair of Nomination Committee	1 year and 1 month	✓	✓	–
Ralph Findlay N	Chief Executive Officer	18 years	–	✓	✓
Andrew Andrea	Chief Financial Officer	5 years and 6 months	–	✓	✓
Carolyn Bradley	Non-executive Director	Appointed 1 October 2014	✓	✓	✓
Rosalind Cuschieri A N R	Non-executive Director	8 years	✓	✓	✓
Robin Rowland A N R	Non-executive Director	4 years and 1 month	✓	✓	✓
Peter Dalzell	Managing Director of Marston's Inns and Taverns	2 years	–	✓	✓
Neil Goulden A N R	Senior Independent Director Chair of Remuneration Committee	6 years and 6 months	✓	✓	✓
Nick Backhouse A N	Non-executive Director Chair of Audit Committee	2 years and 8 months	✓	✓	✓
Catherine Glickman	Non-executive Director	Appointment to commence on 1 December 2014	✓	✓	✓
Anne-Marie Brennan	Company Secretary				



Peter Dalzell
Managing Director
Marston s Inns
and Taverns

Director

A Audit Committee
N Nomination Committee
R Remuneration Committee

Retail experience	Finance experience	Government/ regulatory experience	Curriculum Vitae
✓	✓	–	• Chairman of Gamesys, SIS and Porthaven Nursing Homes • Independent Non-executive Director of the Football Association • Previously a Non-executive Director of National Express and RPS Group
✓	✓	✓	• Appointed to the Board as Finance Director in 1996 becoming CEO in 2001 • Qualified Chartered Accountant and Treasurer • Previous roles held at Geest Plc and Bass Plc • Chair of Council and Pro Chancellor at Keele University
✓	✓	–	• Joined the Company in 2002 • Qualified Chartered Accountant • Previous roles held at Guinness Brewing Worldwide and Bass Brewers Limited
✓	–	✓	• Former UK Marketing Director at Tesco • Previously a Trustee of the DrinkAware Trust
✓	–	–	• Chief Executive of Genius Foods Limited • Former Commercial Director of Warburtons Limited • Previously responsible for off-trade marketing at Scottish & Newcastle Plc
✓	–	–	• Executive Chairman of YO! Sushi Limited • Non-executive Director at Caffè Nero Group Limited and 'Tortilla' • Previous roles held at Restaurant Group Plc and Scottish & Newcastle Plc
✓	–	–	• Joined the Company in 1995 following roles as a licensee and pub company operator • Previously Operations Director for Marston's Inns and Taverns • Chairman of MIT Charitable Trust
✓	✓	✓	• Chairman of The Responsible Gambling Trust and Access Sport • Chairman of Affinity Sutton (Housing) Group • Member of The Low Pay Commission • Previous roles at Gala Coral Group, Compass Group Plc and Chef & Brewer
–	✓	–	• Senior Independent Director of Guardian Media Group plc • Fellow of the Institute of Chartered Accountants • Previous senior management positions in the pub, leisure and financial sectors
✓	–	–	• Group HR Director of Genus Plc • Former Group HR Director at Tesco • Member of the Institute of Personnel and Development
			• Appointed Company Secretary in 2004

Corporate Governance Report continued

Board agenda and activities during the year

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

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

Other items considered during the year include:

Customer Focus and Business Operations	Strategy	Leadership and People Development	Governance	Shareholder Focus
Retail systems investment	Annual strategy day	People, culture and succession – presentation	Board evaluation report	Review of results announcements
Major food and drink supplier proposals	Annual plan	People, culture and succession – strategic action plan	Terms of reference for all committees	Dividend proposals
Beer company – take home business	Property update and lodge development	Board succession	Fair, balanced and understandable review of Annual Report and Accounts	Going concern review
Health and safety review	Retail marketing		Group risks and risk management	AGM preparation
Corporate and social responsibility	Financing proposals		Assessment of key business and financial controls	Shareholder feedback
Annual insurance renewal			Regulatory and statutory compliance	
Review of new product development			Pensions update and Pension Scheme accounts	
			Capital structure, dividend policy	

In addition to regular strategic discussions, the Board holds an annual strategy day offsite. This enables the Board to conduct an in-depth review of strategy and its implementation. This year the Board also considered the opportunities for food and pub community development, property management and increased branding. Presentations are received from a number of senior managers enabling Non-executive Directors to challenge, discuss and debate with presenters.

Board and Committee meeting attendance

We operate Committees of the Board to deal with specific issues under the Code, each with its own terms of reference which are regularly reviewed and updated. Reports from each Committee can be found on pages 28 to 43. The table below shows each Director's attendance throughout the year:

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

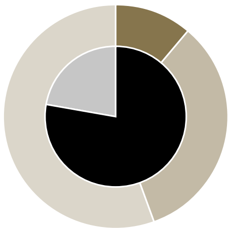
1 Carolyn Bradley was appointed to the Board on 1 October 2014.
2 Lord Hodgson retired from the Board on 21 January 2014.

Effectiveness

Board composition
At the date of this report, our Board comprised nine Directors. In addition to the Chairman, Roger Devlin, there are five Non-executive Directors and three Executive Directors. As highlighted in last year's Board evaluation, the Committee undertook a review of the Board's long-term succession planning and recruitment process. Once the Board's needs were identified, the external agency Warren Partners were engaged to assist in the search for suitable new Non-executive Directors. The Chairman then worked with Warren Partners to identify a shortlist of suitable candidates for the Nomination Committee's consideration. Carolyn Bradley was appointed as a Non-executive Director on 1 October 2014. Carolyn's extensive marketing experience and knowledge of the retail consumer facing industry complements the skills, experience and knowledge already present on the Board.

The Board also appointed Catherine Glickman as a Non-executive Director. Catherine brings HR experience from a retail background to the Board and her appointment takes effect from 1 December 2014 at which time she will also join the Remuneration Committee.

Lord Hodgson retired from the Board in January 2014 and Rosalind Cuschieri has announced her intention to retire from the Board following the 2015 AGM. We consider all of our Non-executive Directors to be independent and the following chart portrays the balance of the Board as at the date of this report.



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

Evaluation
The Code recommends that an evaluation of the effectiveness of the Board and its Committees is conducted annually and that this process is externally facilitated at least every third year. This year the evaluation process was carried out internally, having been externally facilitated last year (2012/13).

The evaluation involved a questionnaire designed to review Board constitution and conduct, development of the Board agenda and succession planning. The review of the Committees focused on their performance throughout the year, whether the agendas covered their remit and the effectiveness of their communications with the full Board.

The Chairman prepared a report for the Board on its effectiveness and that of its Committees. The report identified a number of specific action points: topics were identified for future presentations; it was agreed to strengthen the process of providing updates on the output from previously received presentations and proposals; and it was agreed to increase the number of site visits.

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

Training and development

It is the Chairman's responsibility for ensuring that Directors continually update their skills, knowledge and familiarity with the Company. The Chairman has conducted development reviews with each Director as part of the Board evaluation exercise and no specific training needs were identified. The Company provides the resources to meet development requirements for individual Directors as and when required and it will continue to review development initiatives for Directors.

All Directors receive a tailored induction programme on joining the Board. Carolyn Bradley's induction programme included scheduled meetings with key personnel, a number of pub site visits, a brewery tour and a comprehensive company information pack. The information pack covers all relevant statutory and regulatory guidance notes.

During the year the Board visited a number of managed pubs and the brewery at Burton; meeting with local management to further its understanding of operational matters. The meeting held at Burton provided the opportunity for a tour of the new bottling line. Meetings were also held at advisers' offices, including those of the Company's new financial PR advisers, providing an opportunity for Board members to meet with advisers. The remaining Board meetings were held at the Head Office in Wolverhampton. Individually, the Non-executive Directors also spent time with senior managers visiting managed and tenanted pubs and our regional breweries. There are regular opportunities for the Directors to meet with senior management at Head Office, in the pubs and breweries to maintain and deepen their understanding of our business.

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

Election and re-election

Shareholders will consider the election of Carolyn Bradley and Catherine Glickman at the AGM and they will be subject to annual re-election thereafter. All other Directors offer themselves for re-election at each AGM. Details of each Director serving on the Board at the date of this Report are set out on pages 22 to 23 and, with the exception of Rosalind Cuschieri, shall be set out to shareholders in the papers accompanying the election and re-election resolutions for the AGM.

Diversity Policy

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

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

Accountability and internal control

Fair, balanced and understandable assessment

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

Internal controls

The Board is responsible for the Company's systems of internal control and risk management and reviewing their effectiveness. The Executive Directors are responsible for its implementation. The 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.

Control environment

The key features of the internal control system are:

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

For more information on control of risks see:
Marston's Risk Management Framework on page 13

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

Remuneration

Information on the Remuneration Committee, its membership and activities is given in the Directors' Remuneration Report on pages 31 to 43. The report includes the current Directors' Remuneration Policy as approved by shareholders at the 2014 AGM. The Report also comprises the Annual Report on Remuneration and this is subject to an advisory vote at the 2015 AGM.

Shareholder relations

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

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

The Board considers it important to understand the views of shareholders and issues which concern them. At least twice each year, it receives written feedback from analysts and institutional shareholders on their meetings with Executive Directors. During the year the Chairman and Senior Independent Director met with some of the Company's major institutional investors.

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

The AGM provides all shareholders with the opportunity to communicate directly with the Board of Directors. Recent trading performance and developments in the business are presented prior to the formal business of the meeting. Shareholders are invited to ask questions during the meeting, which is followed by an opportunity to meet with the Directors and senior managers of the business on an informal basis. The senior management team are available for shareholders to speak to before and after the meeting. All of our Directors attend and the Chairman of the Board and each Committee will be available to answer shareholder questions during the formal business of the meeting. We intend to call a poll for all resolutions to be considered at the 2015 AGM. This follows best practice guidelines and allows all shareholders, present in person, by proxy or unable to attend, to vote on all resolutions in proportion to their shareholding. The Company will release the results of voting, including proxy votes on each resolution, on its website on the next business day at **www.marstons.co.uk/investors** and announce them through an RNS. Details of the 2015 AGM are set out in the separate Notice of Meeting.

Audit Committee

Audit Committee Report

Dear Shareholder
Following my appointment as Chairman of the Audit Committee with effect from 21 January 2014, I am pleased to present the Audit Committee Report for the year ended 4 October 2014. Neil Goulden remains a member of the Audit Committee but has stepped down as Chairman to focus on his roles as Chairman of the Remuneration Committee and Senior Independent Director, following Lord Hodgson's retirement. Both Neil and I are considered by the Board to meet the requirements of the Code as having recent and relevant financial experience. Robin Rowland has also become a member of the Committee with effect from 17 September 2014.

Each member of the Committee, all independent Non-executive Directors, contributes their own financial and business experience to effectively assess the external and internal audits of the Company and the internal control and risk management systems. The Committee members challenge and debate the reports, statements and findings presented to them.

Membership

Nick Backhouse
Rosalind Cuschieri
Neil Goulden
Lord Hodgson (until 21 January 2014)
Robin Rowland (from 17 September 2014)

Responsibilities

- Reviewing the integrity of the Company's financial statements including the Interim Results and the Annual Report and Accounts.
- Reviewing the effectiveness of the internal controls and risk management system.
- Reviewing the Company's systems for detecting fraud, preventing bribery and allowing employees to raise concerns in a safe and confidential manner.
- Reviewing the effectiveness of the internal audit function.
- Overseeing the relationship with the external Auditors, specifically reviewing and approving their fees, the terms of engagement and their objectivity and independence on an annual basis.

Attendees

The Corporate Risk Director and external Auditors attend each meeting. Other individuals, such as the CEO and CFO are usually invited to attend all or part of the Committee's meetings.

Terms of reference

Full terms of reference of the Committee can be found in the Investors section of the Company's website.

During the year the Committee has conducted a formal retendering of the Internal Audit co-source which has been undertaken by Deloitte since 2005. A number of audit firms were invited to tender for this work including two mid-tier firms. In assessing the tender proposals and presentations received, the Committee considered the ability of each firm to deliver an effective, efficient service, their audit methodology, relevant experience, knowledge of key audit issues and the benefit of a fresh approach. The Committee concluded that Grant Thornton should be appointed to deliver the internal audit plan with the first assignments to be undertaken in January 2015.

Following the tender of the external audit last year, PwC continue to provide an effective audit service and the Committee recommends to shareholders their re-appointment. The audit partner is next due to rotate after the 2017 reporting period and the Company will conduct a full tender of the external audit at that time. Further details are provided in the report that follows.

Nick Backhouse
Chairman of the Audit Committee

Auditors

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

- The external Auditors conduct an annual review of their independence identifying all services provided to the Group and assessing whether the content and scale of such work is a threat to their independence.
- The Committee accepts that some non-audit work is most appropriately undertaken by the external Auditors. The Committee's terms of reference set out what is permissible. Where such work is expected to be in excess of a specified amount, the Chairman of the Audit Committee must approve the work. Below that amount, the CFO has authority to approve such work once he is satisfied that the Auditors are the most appropriate providers. The Group has used other accounting firms for some non-audit work. In each case, consideration was given to the need for value for money, experience and objectivity required in the particular circumstances.
- The audit partner is changed at least once every five years and a new partner was appointed during the 2012/13 financial reporting period. The audit partner is next due to rotate after the 2016/17 financial year. The Committee has recommended to the Board that a formal tender be conducted in 2016/17 and, given the length of their tenure, PwC will not be invited to tender at that time.

Fees paid to the external Auditors are disclosed in Note 3 of the Financial Statements on page 63.

Activities

During the year the Committee met three times to consider and review the risks to the Group, the internal control and risk management systems, to assess the annual internal audit plan and to review the internal audit tender proposals and presentations received. The Corporate Risk Director provided ongoing assurance to the Committee with regular updates on the scope and findings of internal audit. The Committee also considered the Annual Report and Accounts and Interim Results. In order to provide the Committee with the opportunity to review and challenge the integrity of the Company's financial reports, the external Auditors attended each meeting. The external Auditors also presented their audit strategy, findings and conclusions in respect of the Annual Report and Accounts or Interim Results. At least once a year, the external Auditors meet the Committee without any Executive Director present to provide an opportunity for open dialogue and feedback.

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

Significant financial judgements

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

- Non-underlying items. The Committee considered management's assessment of each item disclosed as non-underlying, including, the appropriateness and consistency of disclosure and accounting treatment. The Committee was satisfied that the items warranted separate disclosure by virtue of their nature, size or infrequency and concurred with management's classification and treatment. The Committee also considered the quality of earnings in assessing the completeness of non-underlying items.
- Onerous property lease provisions. The Company had undertaken a review of property leases during the year and identified the need for a provision to reflect changed conditions in both the market and individual circumstances as well as some lease reversions. Noting the judgements made, the Committee was satisfied that these provisions represented management's best estimate of the onerous element of future lease payments and, as such, was satisfied that the overall provision was acceptable.
- Valuation of the estate. The Committee considered the internal valuation process undertaken by management and noted that this had not identified any areas of significant difference between book and fair value of the core estate at the reporting date. Impairments made during the year relating to the disposal group were based on management's best estimate of the achievable market price. The Committee considered the approach taken to be reasonable and consistent with market conditions and the treatment in prior years.
- Tax provisions. The Company has a number of outstanding tax positions where recognition in the financial statements is judgemental given the uncertainty of settlement. The Committee noted that the potential benefit in respect of the majority of positions has not been recognised. The Committee was satisfied with the rationale behind this treatment.

Nomination Committee

Nomination Committee Report

Dear Shareholder

During the year we have refreshed the composition of our Board and Committees. In September we announced the retirement of Roz Cuschieri, who will step down from the Board following the 2015 AGM and the appointment of two new Non-executive Directors. Carolyn Bradley joined the Board on 1 October 2014 and Catherine Glickman will be appointed on 1 December 2014. Both Carolyn's and Catherine's appointments enhance and widen the Board's skillset with their respective experience in retail marketing and HR.

Both the Audit and Remuneration Committees have been refreshed with the appointment of a new Chairman and by Robin Rowland joining the Audit Committee and Catherine Glickman joining the Remuneration Committee. Over the next year the Nomination Committee will continue to review the long-term succession plans for the Board and key roles across the business.

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

Activities

The Nomination Committee met three times during the year specifically to consider the requirement for additional experience on the Board and the subsequent recruitment and appointment of two additional Non-executive Directors. The Committee was initially supported by KORNFERRY Whitehead Mann and subsequently by Warren Partners during the recruitment and appointment process. Neither KORNFERRY Whitehead Mann nor Warren Partners have any other connection to the Company.

The Committee also considered the membership of the Board and each of its Committees. The Committee continues to actively review the long-term succession planning process for Non-executive Directors to ensure the structure, size and composition of the Board and its Committees continues to be effective, thus ensuring appropriate levels of corporate governance and best practice and support for the Company as it pursues its strategy.

Diversity Policy

Succession planning at Board level is informed by guidance provided by the Financial Reporting Council (FRC) and the Department for Business, Innovation & Skills (BIS) on both Board Effectiveness and Gender Diversity, and the process of recruitment to the Board recognises the benefits of diversity. When recruiting, we require the search agency to have signed up to their industry's Voluntary Code of Conduct addressing gender diversity. We have not set a specific target for numbers of female Directors and we will continue to make appointments on the basis of merit. However, we recognise the benefits that greater diversity can bring and take into account such factors when considering any particular appointment. Currently, two of Marston's nine Board members are female rising to three on 1 December when Catherine Glickman joins the Board.

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

Finally, the Committee considered the effectiveness and commitment of each Director standing for election or re-election at the 2015 AGM and, having concluded that their performance continues to be effective, recommends the election or re-election of each Director to the shareholders.

Roger Devlin
Chairman of the Nomination Committee

Directors' Remuneration Report

Remuneration Committee Chairman – Annual Statement

Dear Shareholder
On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 4 October 2014, which sets out the remuneration policy for the Directors of Marston's and the amounts earned in respect of the year ended 4 October 2014.

Shareholder engagement
In my first report as Chairman of the Remuneration Committee I am pleased to report on the strong level of support and engagement from shareholders. This is evidenced by the voting outcomes at the 2014 Annual General Meeting. The resolutions seeking approval of the new 2014 Long Term Incentive Plan (LTIP), the Directors' Remuneration Policy and Implementation Report were supported by over 97% of the votes cast. Before introducing the new LTIP we consulted extensively with our major shareholders and will continue to do so as the Remuneration Policy is reviewed and developed in future years.

2013/14 key decisions and incentive pay-outs
The Remuneration Committee remains committed to a responsible approach to executive pay, particularly given the continuing challenges of the economic environment. Key decisions on executive pay, including increases to salary and bonus payments, are calculated after consideration of similar decisions affecting all employees, consistent with the Company's ethos of operating with 'Fairness, Integrity and Transparency'.

Base salary increases awarded to the Executive Directors in 2014 were 2.6%, in line with average salary increases across the Group.

The Remuneration Committee retains discretion to adjust performance metrics impacting on bonus or LTIP awards where there is a material consequence of strategic decisions. In considering bonus awards for the 2014 financial year the Committee took into account the portfolio disposal of 202 pubs in November 2013. Whilst the immediate financial impact of this disposal was to reduce profit and earnings in 2014, it will improve the quality of our pub estate and earnings in the longer term. Having adjusted for the 2013 reported profit before taxation for the impact of the 53rd week and the portfolio disposal, Marston's underlying earnings increased by 11% during the year and the Executive Directors will receive 25% of their maximum annual bonus entitlements. As disclosed on page 33, a formulaic application of the performance metrics applying to the annual bonus would have resulted in bonus awards of 40% of salary but, taking into account the economic environment, the Committee exercised restraint and awarded bonuses of 25% of salary.

In addition, as a result of EPS growth from 2011 to 2013, the 2011 LTIP award vested at 44.2% during the year. Further details are included on page 34. The Committee retains discretion to reduce or withhold awards but not to increase them (subject to noting the potential for adjustments to performance metrics as described above). In exercising that discretion, the Committee has regard to the financial performance of the business in the financial year in which the award vests. The fact that the awards usually vest in June means that the Committee takes into account a further nine months of performance in determining whether an award will vest and the Committee believes that this provides additional assurance that the award is appropriate.

2014/15
The performance metrics for variable pay are unchanged. In relation to bonus payments it is a combination of underlying profit before taxation and return on capital employed; and for the LTIP it is a combination of CROCCE, FCF and relative TSR. Further details are included on pages 33 and 34.

Last year the Company adopted a malus provision into the 2014 LTIP rules and the deferred bonus plan. The Committee is aware of the changes in the 2014 edition of the UK Corporate Governance Code and, specifically with reference to clawback provisions for variable pay, is reviewing the adjustments required. We will take note of emerging practice before a decision is made and reported to you next year.

We recognise the expectations of our shareholders on executive pay and our history should demonstrate clearly that the Remuneration Committee approaches such issues with caution and sensitivity.

Neil Goulden
Chairman of the Remuneration Committee

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

To reflect the requirements of the revised remuneration reporting regulations this Report is presented in two sections:

- The Annual Report on Remuneration provides details on the amounts earned in respect of the period and how the policy will be operated for the period ended 3 October 2015; and
- The Directors' Remuneration Policy sets out the current remuneration policy as approved by shareholders at the 2014 Annual General Meeting.

Annual Report on Remuneration

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

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

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

The following parts of the Remuneration Report are subject to audit, other than the elements explaining the application of the Remuneration Policy for 2014/15.

Single total figure of remuneration (Executive Directors)
The table below reports the total remuneration receivable in respect of qualifying services by each Executive Director during the year. Details of the figures in the table are provided overleaf.

Period ended 4 October 2014	Total salary and fees £	Taxable benefits £	Annual bonus £	Long term incentives £	Pension related benefits £	Total £
Andrew Andrea	317,000	14,438	79,250	204,770	63,425	678,883
Peter Dalzell	282,000	14,438	70,500	142,668	323,916	833,522
Ralph Findlay	508,000	17,138	127,000	324,680	127,045	1,103,863

Period ended 5 October 2013	Total salary and fees £	Taxable benefits £	Annual bonus £	Long term incentives restated[1] £	Pension related benefits £	Total £
Andrew Andrea	309,000	14,630	–	185,629	61,800	571,059
Peter Dalzell	275,000	14,419	–	32,207	300,553	622,179
Ralph Findlay	495,000	17,330	–	301,232	123,750	937,312

[1] In the Directors' Remuneration Report for the period ended 5 October 2013, the long term incentives figures for the period ended 5 October 2013 assumed that the LTIP awards granted in June 2011 would lapse. The awards vested in June 2014 at 44.2% and in the above table for the period ended 5 October 2013 the long term incentives figures have been updated to reflect that vesting. The value has been calculated by multiplying the number of shares in respect of which the award vested by £1.429 (being the market value of a share on 24 June 2014, the date of vesting). In the case of Andrew Andrea, the long term incentives figure for the period ended 5 October 2013 also includes £1,005 in respect of an SAYE option granted in that period, as disclosed in the Directors' Remuneration Report for the period ended 5 October 2013.

Figures in the single figure table are derived from the following:

Total salary and fees	The amount of salary/fees received in the period.
Taxable benefits	The taxable value of benefits received in the period. These are car allowance, private medical insurance and life assurance.
Annual bonus	The annual bonus earned in the period ended 4 October 2014. A description of Group performance against which the bonus pay-out was determined is provided on page 33. No Executive Director has elected to defer any of the bonus earned into shares.

Long term incentives	The value of LTIP awards that vest in respect of the financial period and the value of SAYE options granted in the financial period. LTIP: The 2011 LTIP award vested at 44.2% during the year. In the single total figure of remuneration table for the period ended 5 October 2013, the relevant value is calculated as disclosed in the footnote to that table. The original estimate disclosed in the Directors' Remuneration Report for the period ended 5 October 2013 was that 0% of the 2011 LTIP would vest. As awards vest nine months after the end of the financial year and then only subject to the Committee being satisfied that the underlying performance of the award supports the formulaic output of the award, the best estimate at that time was that the awards would lapse. In June 2014 the Committee were satisfied that financial performance supported the vesting of the awards based on EPS performance over the previous three years, at 44.2%. LTIP: The 2012 LTIP award will vest in June 2015. For the purposes of the single total figure of remuneration table for the period ended 4 October 2014, it has been estimated that the 2012 LTIP will vest at 36%, and the value included in the table has been calculated by multiplying the number of shares in respect of which the 2012 LTIP is estimated to vest by the average market value of a share over the last quarter of the period ended 4 October 2014. SAYE: For the year ended 4 October 2014 the long term incentive value includes the value of SAYE options granted based on the fair value of the options at grant.
Pension related benefits	The pension figure represents the cash value of pension contributions received by the Executive Directors. This includes the Company's contributions to the defined contribution pension scheme and any salary supplement in lieu of a Company pension contribution and for individuals in the Company's defined benefit pension scheme, it also includes the additional value achieved in the period calculated using the HMRC method (using a multiplier of 20). Further details of pension benefits are set out on page 35.

Individual elements of remuneration (Executive Directors)

Base salary

Base salaries for individual Executive Directors are reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities within the Group as well as with reference to similar roles in comparable companies. For 2013/14, Ralph Findlay, Andrew Andrea and Peter Dalzell received a 2.6% salary increase, which was in line with the average salary increases across the Group.

For 2014/15, the average salary increase for Executive Directors is 2.5%, which is in line with the average salary increases across the Group. The base salaries for 2013/14 and 2014/15 are as set out below:

Name	2014/15 base salary	2013/14 base salary	Increase
Andrew Andrea	£325,000	£317,000	2.5%
Peter Dalzell	£289,000	£282,000	2.5%
Ralph Findlay	£521,000	£508,000	2.6%

Annual bonus

With the exception of our pub managers and field-based sales teams, all bonus arrangements within the Group have the same structure and pay-out mechanism, though the maximum potential award, expressed as a percentage of salary, varies between different employee groups. Payments are calculated based upon achieving or exceeding pre-set targets for both Group profit and return on capital.

2013/14

For 2013/14, Executive Directors could earn a bonus equivalent to 50% of base salary for hitting on-target performance and this increases on a linear basis for performance above the set targets up to a maximum of 100% of base salary. For Executive Directors, the bonus agreement includes two additional conditions:

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

The Directors consider that the future Group profit and return on capital targets are matters which are commercially sensitive; they provide our competitors with insight into our business plans and expectations and should therefore remain confidential to the Company. However, the following table sets out the bonus pay-out to the Executive Directors for 2013/14 and Marston's target and actual Group profit and return on capital performance for the year.

	Group profit target*	Group profit actual*	Target return on capital	Actual return on capital	Executive Director bonus as a percentage of salary
2013/14	£85.0m	£83.0m	10.6%	10.5%	25%

* before non-underlying items

Excluding the impact of disposals and the 53rd trading week, the underlying profit before tax for 2012/13 was £75 million. The 2013/14 profit therefore represents an 11% increase on the previous year – the threshold level at which a bonus will vest. On a straight-line vesting a bonus level of 40% would be payable. Taking into account the continuing challenges of the economic environment the Remuneration Committee considers it appropriate to exercise restraint and have therefore approved an award of 25%.

2014/15

No changes are proposed in respect of the annual bonus scheme for 2014/15 with awards based on Group profit (two thirds) and return on capital (one third). The Remuneration Committee will continue to disclose how the bonus pay-out delivered relates to performance against the targets on a retrospective basis.

Long Term Incentive Plan

Awards vesting in respect of the financial period

LTIP awards granted in 2012 were subject to the achievement of an EPS growth performance condition over a three year period. Awards vest on a sliding scale with 35% becoming exercisable if annual EPS growth exceeds RPI by 3%. For 100% of an award to vest EPS growth must exceed RPI by 9% per annum.

The extent to which the LTIP awards granted in June 2012 will vest will not be determined by the Remuneration Committee until June 2015, therefore an estimate of the level of vesting has been made. During the year the Remuneration Committee noted that the historical EPS figure will be restated to reflect the new pension accounting standard. The Committee also discussed the impact of the portfolio and other strategic disposal activity on the remaining awards made under the 2004 LTIP scheme. Given the short term effect on earnings it was agreed that the 2012 and 2013 LTIP awards should be measured against an adjusted EPS figure. It is estimated that the 2012 LTIP will vest at 36%. The awards will only vest if the prevailing performance of the Company at the time of vesting supports it. This decision is at the discretion of the Committee.

Awards granted during 2013/14

In respect of the year ended 4 October 2014 the following awards were granted under the 2014 LTIP:

	Type of award	Percentage of salary	Number of shares[1]	Face value at grant	% of award vesting at threshold	Performance period
Andrew Andrea	LTIP	125%	275,748	396,250	25%	Financial years
Peter Dalzell	LTIP	125%	245,302	352,499	25%	2013/14 to 2015/16
Ralph Findlay	LTIP	125%	441,892	634,999	25%	inclusive

[1] The awards granted in respect of the year ended 4 October 2014 were granted as Approved Performance Share Plan ("APSP") awards, with each award comprising of the following three elements: (i) a tax advantaged option with an exercise price of £1.437 per share over shares with a total value at the date of grant of £30,000, (ii) a "Linked Award" which is, principally, a funding award in the form of a nil-cost option to acquire such number of shares whose value at exercise equals £30,000; and (iii) an LTIP award in the form of a nil cost option over shares to the value of the remainder of the APSP award. The number of shares referred to in the table above is the aggregate of the number of shares subject to the tax advantaged option and the LTIP award, each person was also granted a "Linked Award" over a maximum of 20,876 shares.

The performance metrics for these LTIP awards are as follows:

	% linked to award	Base	Threshold vesting at 25% of the maximum award	Vesting at 50% of the maximum award	Maximum vesting at 100% of the maximum award
CROCCE	40%	10.8%	Base +0.25%	Base +0.5%	Base +1.0%
FCF	40%	£300m	Base +7.5% average growth	Base +15% average growth	Base +30% average growth
Relative TSR	20%	–	Median		Upper quintile

Each award, other than the APSP element, is also subject to a further underpinning performance condition and will only vest if, at the discretion of the Committee, the prevailing financial performance of the Company at the time of vesting supports it.

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

- **CROCCE:** Cash Return On Cash Capital Employed. The use of CROCCE (as opposed to an EBIT return on book value) removes potential distortions from subjective decisions on depreciation policy and asset revaluation. CROCCE will be based on the budget target for 2015. Threshold vesting for this measure would only be earned if this target is exceeded by 0.25% over the three year period.
- **FCF:** Free Cash Flow. This reflects the operating cash flow of the business after tax and interest which is available to return to shareholders as dividends; to reinvest to increase returns; or to pay down debt. It is more closely aligned to operating performance than a simple leverage ratio. FCF in 2015 will be set as a three year cumulative amount based on the budget for 2015, 2016 and 2017 projections. Awards will only be earned if FCF exceeds that cumulative level at the end of three years by at least 7.5%.
- **Relative TSR:** Total Shareholder Return compared against the FTSE 250 (excluding investment trusts). The Remuneration Committee believe that a wider comparator group is a more robust and realistic way of measuring how shareholders value the Company and, furthermore, have set the maximum reward at upper quintile performance recognising our commitment to ensuring there are demanding performance targets. In addition, the Remuneration Committee will require that the element of the award associated with TSR performance will only be earned if underlying financial performance supports it.

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

2014/15 Awards

It is intended to make awards under the LTIP in 2014/15 based on the same performance metrics. Base numbers will be finalised and disclosed next year.

Total pension entitlements

Defined benefit schemes

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

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

	Accrued pension at 30.09.14 £	Accrued pension at 30.09.13 £	Normal retirement age
Peter Dalzell	79,693	61,828	65
Ralph Findlay	108,655	105,793	60

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

On death before retirement, if still employed by Marston's, a spouse's pension is payable equal to one-third of the member's pension for Peter Dalzell and 50% for Ralph Findlay plus a lump sum equal to the Director's contributions (including those made via salary sacrifice). On death after retirement the spouse's pension payable is 60% of the member's pre-commutation pension, for both Peter Dalzell and Ralph Findlay.

Defined contribution scheme

The Group makes contributions into the Group Personal Pension Plan ("GPPP") on behalf of Andrew Andrea. A rate of 20% of base salary (paid partly as a GPPP contribution and partly as a taxable cash supplement) is payable in return for a minimum personal contribution of 7.5%. For the year ended 4 October 2014, the Group contribution for Andrew Andrea was £63,425, being £16,170 pension contribution and a salary supplement of £47,255.

In 2013/14 Ralph Findlay received a taxable cash supplement of 25% of basic salary in lieu of pension contributions.

Single total figure of remuneration (Chairman and Non-executive Directors)

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

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

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

Period ended 5 October 2013	Total salary and fees £	Total £
Roger Devlin[1]	15,000	15,000
Nick Backhouse	44,500	44,500
Rosalind Cuschieri	44,500	44,500
Neil Goulden	50,500	50,500
Lord Hodgson	54,500	54,500
Robin Rowland	44,500	44,500

[1] Roger Devlin was appointed as Chairman on 1 September 2013.
[2] For the period ended 5 October 2013, David Thompson's total single figure of remuneration was £314,439, comprising fees of £137,083, taxable benefits of £117,665 and pension related benefits of £58,691. David Thompson stepped down as Chairman on 31 August 2013.

Fees

The remuneration policy for Non-executive Directors, other than the Chairman, is determined by the Board and is reviewed every two years. Fees were reviewed in 2013/2014 and reflect the responsibilities and duties placed upon Non-executive Directors whilst also having regard to market practice. The Non-executive Directors do not participate in any of the Group's share incentive plans nor do they receive any benefits or pension contributions.

Chairman	2013/14	2014/15
Fee	£180,000	£180,000

Non-executive Directors	2013/14	2014/15
Basic fee	£44,500	£46,500
Additional fee for		
– Chairmanship of the Remuneration Committee	£5,000	£7,500
– Chairmanship of the Audit Committee	£6,000	£7,500
– Senior Independent Non-executive Director	£5,000	£5,000

Payments to past Directors

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

Payments for loss of office

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

Statement of Directors' shareholdings and share interests

Executive Directors are expected to build up and maintain a shareholding in the Company equal to at least one times' salary. As at 4 October 2014, Andrew Andrea held 69%, Peter Dalzell held 29% and Ralph Findlay held in excess of 100% of base salary (based on the cost of acquisition).

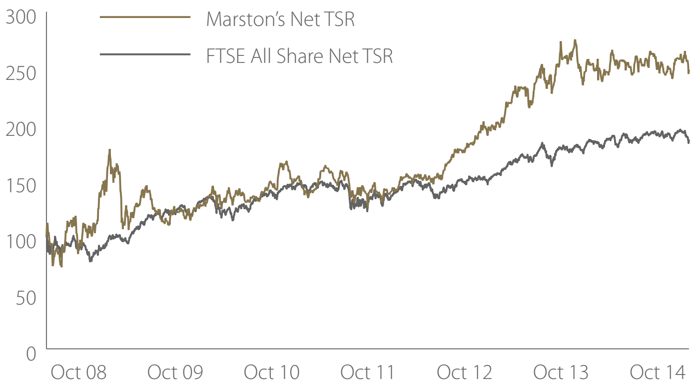
				Unvested		
Director	Type	Owned outright	Exercised during the year	Subject to performance conditions	Not subject to performance conditions	**Total as at 4 October 2014**
Andrew Andrea	Shares	185,125	N/A	N/A	N/A	**185,125**
	Nil cost options	N/A	129,198	801,485	N/A	**801,485**
	SAYE options	N/A	0	N/A	19,726	**19,726**
Peter Dalzell	Shares	75,207	N/A	N/A	N/A	**75,207**
	Nil cost options	N/A	22,538	653,359	N/A	**653,359**
	SAYE options	N/A	0	N/A	27,740	**27,740**
Ralph Findlay	Shares	973,001	N/A	N/A	N/A	**973,001**
	Nil cost options	N/A	210,799	1,283,482	N/A	**1,283,482**
	SAYE options	N/A	N/A	N/A	27,740	**27,740**
Nick Backhouse	Shares	25,000				**25,000**
Carolyn Bradley	Shares	0				**0**
Rosalind Cuschieri	Shares	88,126				**88,126**
Roger Devlin	Shares	150,000				**150,000**
Neil Goulden	Shares	268,000				**268,000**
Lord Hodgson[1]	Shares	–				**–**
Robin Rowland	Shares	52,083				**52,083**

[1] Lord Hodgson stepped down from the Board on 21 January 2014 and held 80,972 ordinary shares at that date.

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

Performance graph and table

This graph shows the value, at 4 October 2014, of £100 invested in the Company on 6 October 2008 compared to the value of £100 invested in the FTSE All Share Index. The FTSE All Share Index has been selected as a comparator because the Company is a member of that index.



Chief Executive Officer remuneration for previous six years

	Total remuneration	Annual bonus (% of maximum opportunity)	LTIP (% of maximum number of shares)
2013/14	£1,103,863	25.0%	36.0%
2012/13	£937,312[1]	0.0%	44.2%[1]
2011/12	£815,690	40.0%	0.0%
2010/11	£974,784	46.0%	0.0%
2009/10	£826,677	40.0%	0.0%
2008/09	£640,190	0.0%	0.0%

[1] In the Directors' Remuneration Report for the period ended 5 October 2013, the table showing the Chief Executive Officer Remuneration for the previous five years assumed that the LTIP awards granted in June 2011 would lapse. As noted on page 34, those LTIP awards vested in June 2014 at 44.2% and in the table above the total remuneration figure and vesting percentage for 2012/13 has been updated accordingly.

Percentage change in Chief Executive Officer remuneration

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

	CEO	Wider workforce
Salary	2.63%	2.7%
Taxable benefits	(1.1%)	(0.89%)
Annual bonus[1]	–	–

[1] With the exception of a small number of sales employees within the wider workforce, no bonuses were payable last year based on Group performance. Therefore the percentage change in bonus compared to the prior year is not a meaningful comparison.

Relative importance of spend on pay

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

	2014	2013	% Change
Dividends payable in respect of the period	**£38.3m**	£36.5m	4.9%
Overall expenditure on pay (excluding non-underlying items)	**£170.2m**	£162.1m	5.0%

Statement of voting at last AGM

The Company remains committed to on-going shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the resolutions relating to Directors' remuneration matters at the Company's Annual General Meeting on 21 January 2014:

Resolution	Votes for	% of vote	Votes against	% of vote	Votes withheld
Approve the Annual Report on Remuneration	97,393,542	99.78%	215,742	0.22%	2,616,794
Approve the Directors' Remuneration Policy	94,611,659	97.64%	2,588,801	2.66%	3,025,426
Approve the new Long Term Incentive Plan	96,477,659	97.36%	2,612,992	2.64%	1,135,427

Committee membership and advisers

The Remuneration Committee met three times during the period and comprises Neil Goulden (Chairman), Rosalind Cuschieri and Robin Rowland, all of whom are regarded by the Company as independent Non-executive Directors. Lord Hodgson was Chairman of the Committee until he retired from the Board following the AGM on 21 January 2014.

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee is responsible for:

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

Advisers

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

- Deloitte LLP (Deloitte). Appointed by the Committee in 2003, Deloitte is retained to provide independent advice to the Committee as required and has confirmed it remains independent. During the period, Deloitte has also provided advice on various tax issues and internal audit services to the Company. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. Deloitte's fees for providing advice to the Remuneration Committee amounted to £15,100 (2013: £6,950).
- Ralph Findlay, Chief Executive Officer, provided advice in respect of the remuneration of the other Executive Directors but was not in attendance when his own remuneration was discussed.
- Anne-Marie Brennan, Company Secretary, provides general advice and support on governance and best practice, as secretary to the Committee.

Directors' Remuneration Policy

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

Base Salary

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

Benefits

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

Annual bonus and deferred bonus plan

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

Long term incentive plan (LTIP)

Purpose and link to strategy	Incentivises Executive Directors to deliver against the Company's strategy over the longer term. Long term performance targets and share-based remuneration support the creation of sustainable shareholder value.
Operation	The Committee makes long term incentive awards under the 2014 LTIP which was approved by shareholders at the 2014 AGM. Under the 2014 LTIP, awards of conditional shares, restricted stock or nil cost options (or similar cash equivalent) can be made with vesting dependent on the achievement of performance conditions, normally over a three year performance period. Awards may vest early on a change of control (or other relevant event) subject to satisfaction of the performance conditions and pro-rating for time, although the Committee has discretion to increase the extent of vesting having due regard to performance over the period to vesting. As described on page 43, LTIP awards may also vest early in "good leaver" circumstances. Under the new LTIP the Committee has the right to reduce any LTIP awards which have not yet vested (i.e. a malus provision) if an act or omission contributes to a material misstatement of the Group's financial statements or results in material loss or reputational damage for the Company. The Committee may at its discretion structure awards as Approved Performance Share Plan (APSP) awards. APSP awards enable the participant and company to benefit from HMRC approved option tax treatment in respect of part of the award, without increasing the pre-tax value delivered to participants. APSP awards may be structured either as an approved option for the part of the award up to the HMRC limit (currently £30,000) with an unapproved option for the balance and a "linked award" to fund the exercise price of the approved option, or as an approved option and an LTIP award, with the vesting of the LTIP award scaled back to take account of any gain made on exercise of the approved option.
Opportunity	The normal maximum award size will be 125% of base salary in respect of any financial year. In exceptional circumstances the Committee reserves the right to award up to 200% of base salary in respect of any financial year. These limits do not include the value of shares subject to any approved option granted as part of an APSP award.

Long term incentive plan (LTIP) continued

Performance metrics	The vesting of LTIP awards is subject to the satisfaction of performance targets set by the Committee. The performance measures are reviewed regularly to ensure they remain relevant but will be based on financial measures and/or share price growth related measures, including (but not exclusively): • free cash flow; • return on capital employed; and • relative total shareholder return. The relevant metrics and the respective weightings may vary each year based upon Company strategic priorities. For 2015, the performance measures and weightings will be: • 40% free cash flow; • 40% cash return on cash capital employed; and • 20% relative total shareholder return. For the achievement of threshold performance no more than 25% of each respective element of the award will vest. For the achievement of maximum performance 100% of each respective element will vest. There will be straight-line vesting between threshold and maximum performance. The Committee will regularly review the performance conditions and targets to ensure they are aligned to Marston's strategy and remain challenging and reflective of commercial expectations. The Committee has the discretion to vary the vesting schedules by reducing the percentage that vests at each performance level but not by increasing the percentage that vests.

Retirement benefits

Purpose and link to strategy	To recruit and retain Directors of the calibre required for the business. Provides market competitive post-employment (or cash equivalent) benefits.
Operation	Executive Directors are eligible to participate in the defined contribution pension scheme (or such other pension plan as may be deemed appropriate) and, if a member before closure of the scheme, the defined benefit scheme. The defined benefit scheme was closed to new entrants from 29 September 1997. Executive Directors who are members of the closed scheme can continue to receive benefits in accordance with the terms of this scheme. In appropriate circumstances, Executive Directors may take a salary supplement instead of contributions into a pension plan.
Opportunity	Ralph Findlay, who was previously a member of the defined benefit scheme has opted to no longer accrue future benefits and instead receives 25% of base salary as a salary supplement in lieu of pension contributions. All the other Executive Directors (including any new appointments) may receive contributions of up to 20% of base salary under the defined contribution pension scheme, an equivalent cash allowance or a combination of the two (up to 20% of base salary). Active members of the defined benefit pension scheme continued to accrue benefits under this scheme until 30 September 2014.
Performance metrics	Not applicable.

Non-executive Director fees

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

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

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

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

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

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

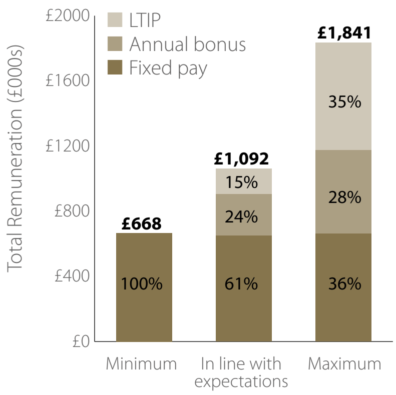
The annual bonus performance targets reflect key financial objectives of the Company and reward for delivery against these.

The LTIP performance targets reflect the Company's strategic objectives and therefore the financial and strategic decisions which ultimately determine the success of the Company. The LTIP performance measures are based on financial measures and/or share price growth related measures, including (but not exclusively):
- Cash Return On Cash Capital Employed – this is a key driver of shareholder value and reflects Marston's investment/disposal plans and the balance sheet.
- Free Cash Flow – this reflects the operating cash flow of the business after tax and interest which is available to return to shareholders as dividends; to reinvest to increase returns; or to pay down debt.
- Relative Total Shareholder Return – aligns management's objectives with those of shareholders and is a broad measure of the extent to which Company strategy is considered appropriate by the market as well as the extent to which it is being well implemented.

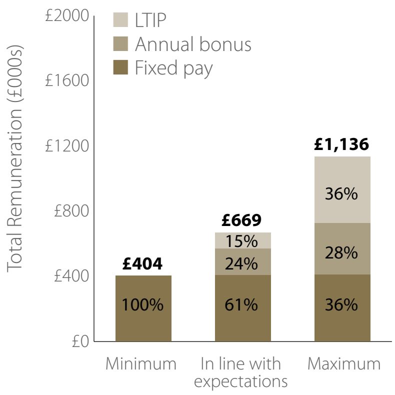
The Remuneration Committee retains the discretion to adjust the performance targets and measures where it considers it appropriate to do so (for example, to reflect changes in the structure of the business and to assess performance on a fair and consistent basis from year to year).

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

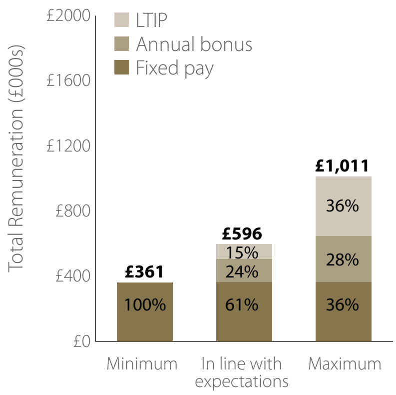
Ralph Findlay



Andrew Andrea



Peter Dalzell



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

	Fixed pay	Annual bonus and DBP	LTIP
Minimum performance	Fixed elements of remuneration are base salary, benefits and pension. Base salary is the latest known salary (i.e. the salary effective from 1 October 2014) and the value for benefits has been assumed to be equivalent to that included in the single figure calculation on page 32.	No bonus.	No LTIP vesting.
Performance in line with expectations		50% of salary delivered for achieving target performance.	25% of maximum award vesting (i.e. 31.25% of salary) for achieving threshold performance across all performance measures.
Maximum performance		100% of salary awarded for delivering at or above the highest performance in respect of the annual bonus measures.	100% of award vesting (125% of salary) delivered for achieving the most stretching level of performance measures attached to the LTIP awards.

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

Differences in policy from the wider employee population

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

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

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

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

Recruitment Remuneration Policy

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

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

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

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

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

Service contracts and policy on payment for loss of office

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

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

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

Provision	Treatment upon loss of office
Payment in lieu of notice	Payments to Executive Directors upon termination of their contracts will be equal to base salary plus the value of core benefits for the duration of the notional notice period. Benefits may also include, but are not limited to, outplacement and legal fees. They will also be entitled to pension contributions for the duration of the notional notice period or the requisition cash allowance equivalent.
Annual bonus	This will be at the discretion of the Committee on an individual basis and the decision whether or not to award a bonus in full or in part will be dependent upon a number of factors including the circumstances of their departure and their contribution to the business during the bonus period in question. Any bonus amounts paid (as estimated by the Committee) will typically be pro-rated for time in service to termination and will, subject to performance, be paid at the usual time.
Deferred bonus	Any deferred award under the deferred bonus plan will be determined based on the leaver provisions contained within the deferred bonus plan rules. For participants leaving before the first anniversary of the date of grant deferred awards will lapse unless the participant is considered a 'good leaver'. For a good leaver the deferred award will vest in full. 'Good leavers' are participants who leave as a result of redundancy, death, ill-health, injury or disability, the sale of his employer out of the Group or any other reason at the discretion of the Committee. For a participant leaving after the first anniversary of the date of grant the award will vest in full unless employment is terminated for reasons of misconduct (in which case the award will lapse).
2014 LTIP	Any award under the 2014 LTIP would be determined based on the leaver provisions contained within the 2014 LTIP plan rules. For 'good leavers' LTIP awards will usually vest at the ordinary vesting point, be subject to performance conditions and pro-rated for time. 'Good leavers' are participants who leave as a result of death, ill-health, injury or disability, the sale of his employer out of the Group or any other reason at the discretion of the Committee. In other circumstances LTIP awards will lapse upon the cessation of employment. The Committee retains the discretion to accelerate vesting and to waive pro-rating for time.
Change of control	Upon a change of control incentive awards will usually vest and be subject to performance conditions and pro-rated for time. The Committee retains the discretion to waive pro-rating for time.
Mitigation	Ralph Findlay's service contract is formed under a model which was approved by the Committee in 2001 and there is no reduction in payments for mitigation or for early payment as the Remuneration Committee has taken the view that as a long-standing employee of the Group, full compensation would be merited in the event of unilateral termination of his employment by the Group. Andrew Andrea and Peter Dalzell's service contracts were formed under a new model approved in 2009 and provide that, subject to formal notice being given by either party, any payment during the notice period will be reduced by any amount earned in that period from alternative employment as a result of being released to work for another employer prior to the conclusion of their notice period.

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

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

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

Prior to the 2014 LTIP being formally put to shareholders, the Committee held an open dialogue with major shareholders and institutional investor bodies setting out the proposals and the detailed thinking and planning behind them.

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

Neil Goulden
Chairman of the Remuneration Committee
27 November 2014

Other Statutory Information

This section contains additional information which the Directors are required by law and regulation to include within the Annual Report and Accounts. This section along with the information from the Chairman's Statement on page 2 to the Statement of Directors' Responsibilities on page 47 constitutes the Directors' Report in accordance with the Companies Act 2006.

Strategic report
The Company is required by the Companies Act to include a Strategic Report in this document. The information that fulfils the requirements of the Strategic Report can be found on pages 1 to 19, which are incorporated in this report by reference.

Corporate governance statement
The corporate governance statement as required by the Disclosure and Transparency Rules 7.2.1 is set out on pages 20 to 30 and is incorporated into this report by reference.

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

Capital structure
Details of the Company's issued share capital and of the movements during the year are shown in note 27 to the financial statements on page 85. The Company has one class of ordinary shares and one class of preference shares. On a poll vote, ordinary and preference shareholders have one vote for every 25 pence of nominal value of ordinary and preference share capital held in relation to all circumstances at general meetings of the Company. The issued nominal value of the ordinary shares and preference shares is 100% of the total issued nominal value of all share capital.

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

Details of employee share schemes are set out in note 26 to the financial statements on pages 84 to 85. Where shares are held on behalf of the Company's share schemes, the trustees have waived their right to vote and to dividends.

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

Under the Articles of Association, the Directors have authority to allot ordinary shares subject to the aggregate set at the 2014 Annual General Meeting (AGM). The Company was also given authority at its 2014 AGM to make market purchases of ordinary shares up to a maximum number of 57,243,227 shares. Similar authority will again be sought from shareholders at the 2015 AGM.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Articles may be amended by special resolution of the shareholders. The powers of the Directors are further described in the Corporate Governance Report on pages 20 to 30.

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

Major interest in Company's shares
Notifications of the following voting interests in the Company's ordinary share capital had been received by the Company (in accordance with Chapter 5 of the FCA's Disclosure and Transparency Rules and section 793 Companies Act 2006) as at 4 October 2014 and 24 November 2014:

Ordinary shares of 7.375p each

Shareholder	**As at 4 October 2014**	% of voting rights	**As at 24 November 2014**	% of voting rights
Brewin Dolphin	**35,143,010**	6.13%	**35,863,321**	6.26%
The Capital Group Companies, Inc	**31,083,908**	5.42%	**31,083,908**	5.42%
Dimensional Fund Advisers	**24,196,892**	4.22%	**23,523,362**	4.10%
Royal London Asset Management	**23,520,301**	4.10%	**26,447,673**	4.61%
Rathbone Investment Management	**21,963,860**	3.83%	**23,447,505**	4.09%
Henderson Global Investors Ltd	**20,663,725**	3.61%	**17,620,012**	3.07%

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

Preference shares

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

Dividends on ordinary shares

An interim dividend of 2.4 pence per ordinary share was paid on 8 July 2014. The Directors recommend a final dividend of 4.3 pence per ordinary share to be paid on 2 February 2015 to shareholders on the register on 19 December 2014. This would bring the total dividend for 2013/14 to 6.7 pence per ordinary share (2013: 6.4 pence per ordinary share). The payment of the final dividend is subject to shareholder approval at the AGM.

Preference shares

The preference shares carry the right to a fixed cumulative preferential dividend at the rate of 6% per annum payable in June and December (£5,250 per annum). Further details are given in note 17 on page 73.

Directors

Biographies of the Directors currently serving on the Board are set out on pages 22 and 23.

Changes to the Board during the year are set out in the Corporate Governance Report on page 25. Details of Directors' service contracts are set out in the Directors' Remuneration Report on pages 42 and 43.

In accordance with the requirements of the UK Corporate Governance Code all Directors, with the exception of Rosalind Cuschieri, will offer themselves for election or re-election at the AGM on 27 January 2015. Rosalind Cuschieri has confirmed that she will retire from the Board following the 2015 AGM and so will not stand for re-election.

Insurance and indemnities

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that might be brought against its Directors and Officers. In accordance with the Company's Articles of Association and to the extent permitted by law, the Company has indemnified each of its Directors and other Officers of the Group against certain liabilities that may be incurred as a result of their position within the Group. These indemnities were in place for the whole of the period ended 4 October 2014 and as at the date of the report. There are no indemnities in place for the benefit of the Auditors.

Employee information

The average number of employees within the Group is shown in note 5 to the financial statements on page 65.

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

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

Environmental policy and mandatory greenhouse gas emissions reporting

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

Marston's Corporate Social Responsibility Committee is chaired by our Corporate Risk Director. The Committee reports to the main Board on how the activities of the Company have met its ethical agenda. The Committee is responsible for overseeing progress on CSR issues, external reporting of our CSR agenda, and responding to new ethical challenges and regulatory changes.

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

Other Statutory Information continued

Environmental Impacts
Marston's publishes detailed information on energy consumption, water usage and waste in its Corporate Responsibility Report. In recent years we have achieved considerable reductions in energy usage by replacing all the lighting in the public areas of our managed and franchised pubs with LED lighting. Water usage has been significantly reduced by installing water management systems in our managed pubs, and we are now rolling the same systems out across our franchised estate. We continue to aim to increase the percentage of waste being recycled (2014: 80.2% / 2013: 79.1%) and have signed up to WRAP's Food and Hospitality Agreement to increase the amount of food recycling to 70% by the end of 2015. Currently 319 of our managed pubs recycle food waste (2013: 290).

In 2014 we made real time reporting of our energy consumption available for our pub managers and their area managers to track energy consumption by pub against targets. The system provides a continually refreshed dashboard on energy consumption compared to the expected level, by hour, day and week.

	2014	2013
Fuel Types	**CO_2e tonnes**	CO_2e tonnes
Electricity and Gas	**121,533**	101,809
Petrol and diesel	**8,259**	7,399
Refrigerants – breweries	**50**	118
Refrigerants – pubs	**4,161**	(see note 3)

Greenhouse Gas Emissions Intensity Ratio:

	2014	2013	2012
CO_2e tonnes per £100,000 of turnover	**17.36**	See notes below	
– excluding pub refrigerant fugitive emissions, and LPG emissions (see note below)	**16.54**	14.82	12.77

Note:
1. We reported on all the measured emissions sources required under the Companies Act 2006 (Strategic Report and Director's Reports) Regulations 2013.
2. Data collected is in respect of the year ended 31 March 2014, the period for which our carbon emissions are reported under the Carbon Reduction Commitment Energy Efficiency Scheme. The conversion factors used are those published by Defra for 2013.
3. Refrigerant fugitive emissions and LPG emissions across our pub estate were not measured in 2013 and 2012.
4. The figures disclosed above for 2014 have been reviewed by BDO LLP.

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

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

Financial instruments
The disclosures required in relation to the use of financial instruments by the Company together with details of our treasury policy and management are set out in note 20 to the financial statements on pages 76 to 79.

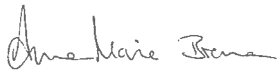
Auditors
PricewaterhouseCoopers LLP have indicated their willingness to continue as Auditors and their reappointment has been approved by the Audit Committee. Resolutions to reappoint them and to authorise the Directors to determine their remuneration will be proposed at the 2015 AGM.

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 19. In addition, note 20 to the financial statements on pages 76 to 79 includes the Group's objectives, policies and processes for managing its exposures to interest rate risk, foreign currency risk, counterparty risk, credit risk and liquidity risk. Details of the Group's financial instruments and hedging activities are also provided in note 20.

The Board has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements set out on pages 48 to 89 and 92 to 98 have been prepared on the going concern basis.

Annual General Meeting
The AGM of the Company will be held at Wolverhampton Racecourse, Dunstall Park, Wolverhampton, WV6 0PE at 12 noon on 27 January 2015. The notice convening the meeting, together with details of the special business to be considered and explanatory notes for each resolution, is distributed separately to shareholders. It is also available at **www.marstons.co.uk**, where a copy can be viewed and downloaded.

By order of the Board



Anne-Marie Brennan
Company Secretary
27 November 2014

Statement of Directors' Responsibilities

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

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

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

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

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

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

Each of the Directors, whose names and functions are listed on page 22 to 23 confirm that, to the best of their knowledge:

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

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

(a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
(b) he/she has taken all the steps that he ought to have taken as a Director in order to make him/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Ralph Findlay
Chief Executive Officer

Andrew Andrea
Chief Financial Officer

27 November 2014

Five Year Record

	2010 (Restated) (52 weeks) £m	2011 (Restated) (52 weeks) £m	2012 (Restated) (52 weeks) £m	2013 (Restated) (53 weeks) £m	**2014 (52 weeks) £m**
Underlying revenue	650.7	682.2	719.7	782.9	**787.6**
Underlying profit before taxation	70.9	75.9	86.7	86.1	**83.0**
Non-underlying items	(21.0)	0.4	(223.3)	(18.6)	**(142.2)**
Profit/(loss) before taxation	49.9	76.3	(136.6)	67.5	**(59.2)**
Taxation*	(4.3)	(10.8)	25.5	(10.6)	**8.5**
Profit/(loss) after taxation	45.6	65.5	(111.1)	56.9	**(50.7)**
Net assets	780.5	817.6	762.0	841.9	**759.0**
Earnings/(loss) per ordinary share	8.0p	11.5p	(19.5)p	10.0p	**(8.9)p**
Non-underlying items	1.7p	(0.9)p	31.7p	2.0p	**20.6p**
Underlying earnings per ordinary share	9.7p	10.6p	12.2p	12.0p	**11.7p**
Dividend per ordinary share	5.8p	5.8p	6.1p	6.4p	**6.7p**

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

Independent Auditors' Report to the members of Marston's PLC

Report on the Group financial statements

Our opinion

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

- give a true and fair view of the state of the Group's affairs as at 4 October 2014 and of its loss and cash flows for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements comprise:

- the Group Balance Sheet as at 4 October 2014;
- the Group Income Statement and Group Statement of Comprehensive Income for the period then ended;
- the Group Cash Flow Statement for the period then ended;
- the Group Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Our audit approach

Overview

Materiality	Overall Group materiality: £4.2 million which represents 5% of profit before tax and non-underlying items.	
Audit scope	The Group audit is performed on a consolidated basis and the level of work performed over each financial statement line item is determined based on the size and nature of the transactions and balances within that line item.	
Areas of focus	• Valuation of the estate • Disclosure of items as 'non-underlying'	• Accounting for uncertain tax positions • Provisioning for onerous property leases

The scope of our audit and our areas of focus

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

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

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below together with an explanation of how we tailored our audit to address these specific areas. This is not a complete list of all risks identified by our audit.

Area of focus	*How our audit addressed the area of focus*
Valuation of the estate (notes 1, 12 and 15) We focused on the Directors' annual assessment of the carrying value of land and buildings because properties are a significant item on the balance sheet and there are complex and subjective assumptions used in the valuations, including the future expected performance of pubs and multiples applied.	We obtained the Directors' valuation and impairment analysis and discussed with the Group's estates team. We also took into account the impact of changes in macroeconomic conditions, pub performance and recent market transactions and their associated multiples. We verified management's assumptions on future earnings and multiples using recent market transactions data and considered the impact of movements in key assumptions. Where material adjustments to valuations of specific assets occurred we agreed the revaluation adopted by management to external market information or third party evidence supporting the value.

Independent Auditors' Report to the members of Marston's PLC continued

Area of focus	*How our audit addressed the area of focus*
Disclosure of items as 'non-underlying' (notes 1 and 4) The financial statements include certain items which are disclosed as 'non-underlying', such as non-core estate disposal and reorganisation costs, the loss on the portfolio disposal of pubs and the results from the ongoing management of these pubs, recognition of onerous lease provisions and associated leasehold impairments, costs relating to the buy-back of securitised debt, movements in the fair value of interest rate swaps and the credit in respect of closing the defined benefit pension plan to future accrual. Management have included these items as non-underlying using the criteria explained in their accounting policy which is disclosed in note 1 to the financial statements. We focused on this area because non-underlying items are not defined by IFRS as adopted by the European Union and it therefore requires judgement by the Directors to identify such items. Consistency in identifying and disclosing items as non-underlying is important to maintain comparability of the results with previous years.	We assessed the appropriateness of the Group's accounting policy and whether those items disclosed as non-underlying were consistent with the accounting policy and the approach taken in previous accounting periods. We also considered an appropriate threshold to apply to non-underlying items based on the financial statement line items that were affected. For example, property items are considered by management to have a higher threshold for disclosure as non-underlying and we considered whether this was appropriate in the circumstances. We assessed whether other non-recurring items should have been classified as non-underlying and discussed this with the Directors and the Audit Committee to check whether items meeting the criteria in the Group's accounting policy had been identified and whether the treatment was consistent year on year. Specifically in relation to the revenue and costs in respect of the ongoing management of the portfolio of 202 pubs disposed of in the period, we tested that the trade relating to the pubs disposed of, and only the pubs disposed of, was disclosed as non-underlying.
Accounting for uncertain tax positions (note 1) The Group has a number of outstanding corporate and indirect tax positions where recognition in the financial statements is judgemental given the uncertainty of settlement. These uncertainties arise because these matters have not yet been resolved with HM Revenue & Customs and the Directors have had to make material judgements about the recognition or non-recognition of the benefits associated with the tax positions.	We examined correspondence with HM Revenue & Customs and any legal challenges relevant to the individual circumstances of each case. We assessed the position taken by the Directors in respect of these uncertainties. We evaluated the appropriateness of the recognition or non-recognition of the benefits or liabilities associated with these tax positions, and the treatment of any related interest.
Provisioning for onerous property leases (notes 4 and 24) We focused in particular on the provisions for onerous property leases as they represented an area of significant judgement, such as the timing and rate of future sub-let agreements that may be possible for each property and the expected level of dilapidations that would be payable at the end of the lease.	We tested the underlying calculations of the required provision and agreed key inputs to contractual terms for a sample of properties. We also compared key assumptions used such as discount rate and inflation rate to market information and discussed key judgements with management, considering alternative positions where appropriate and undertaking sensitivity analysis to model the impact on the provision where a range of appropriate outcomes existed, for example in relation to discount rates and sub-let assumptions.

How we tailored the audit scope

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

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

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

Materiality

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

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

Overall group materiality	£4.2 million (2013: £4.5 million).
How we determined it	5% of profit before tax and non-underlying items.
Rationale for benchmark applied	We believe that underlying profit before tax provides us with a consistent year on year basis for determining materiality by eliminating the non-recurring disproportionate impact of those items disclosed as 'non-underlying'.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.2 million (2013: £0.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 46, in relation to going concern. We have nothing to report having performed our review.

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

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

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
• Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or – is otherwise misleading.	We have no exceptions to report arising from this responsibility.
• The statement given by the Directors on page 47, in accordance with provision C.1.1 of the UK Corporate Governance Code ('the Code'), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• The section of the Annual Report on pages 28 to 29, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of information and explanations received

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

Directors' remuneration

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

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 47, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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

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

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

Other matter

We have reported separately on the Parent Company financial statements of Marston's PLC for the 52 week period ended 4 October 2014 and on the information in the Directors' Remuneration Report that is described as being audited.

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

27 November 2014

Group Income Statement
For the 52 weeks ended 4 October 2014

	Note	2014 Underlying items £m	2014 Non-underlying items £m	2014 Total £m	2013 (Restated) Underlying items £m	2013 (Restated) Non-underlying items £m	2013 (Restated) Total £m
Revenue	2, 3, 4	**787.6**	**27.7**	**815.3**	782.9	–	782.9
Operating expenses*	3	**(631.5)**	**(134.7)**	**(766.2)**	(614.7)	(21.6)	(636.3)
Operating profit	2, 4	**156.1**	**(107.0)**	**49.1**	168.2	(21.6)	146.6
Finance costs	6	**(73.4)**	**(27.0)**	**(100.4)**	(83.8)	(0.5)	(84.3)
Finance income	6	**0.3**	**–**	**0.3**	1.7	–	1.7
Movement in fair value of interest rate swaps	4, 6	**–**	**(8.2)**	**(8.2)**	–	3.5	3.5
Net finance costs	4, 6	**(73.1)**	**(35.2)**	**(108.3)**	(82.1)	3.0	(79.1)
Profit/(loss) before taxation		**83.0**	**(142.2)**	**(59.2)**	86.1	(18.6)	67.5
Taxation	4, 7	**(16.3)**	**24.8**	**8.5**	(17.8)	7.2	(10.6)
Profit/(loss) for the period attributable to equity shareholders		**66.7**	**(117.4)**	**(50.7)**	68.3	(11.4)	56.9
(Loss)/earnings per share:							
Basic (loss)/earnings per share	9			**(8.9)p**			10.0p
Basic underlying earnings per share	9			**11.7p**			12.0p
Diluted (loss)/earnings per share	9			**(8.9)p**			9.9p
Diluted underlying earnings per share	9			**11.6p**			11.9p

Group Statement of Comprehensive Income
For the 52 weeks ended 4 October 2014

	2014 £m	2013 (Restated) £m
(Loss)/profit for the period	**(50.7)**	56.9
Items of other comprehensive income that may subsequently be reclassified to profit or loss		
(Losses)/gains arising on cash flow hedges	**(36.4)**	24.9
Transfers to the income statement on cash flow hedges	**39.0**	24.7
Tax on items that may subsequently be reclassified to profit or loss	**(0.5)**	(15.0)
	2.1	34.6
Items of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	**(12.5)**	5.9
Unrealised surplus on revaluation of properties	**16.4**	2.1
Reversal of past revaluation surplus	**(3.4)**	–
Tax on items that will not be reclassified to profit or loss	**0.8**	14.1
	1.3	22.1
Other comprehensive income for the period	**3.4**	56.7
Total comprehensive (expense)/income for the period	**(47.3)**	113.6

* During the current period the Group disposed of a portfolio of 202 pubs and subsequently entered into a four year lease and five year management agreement in respect thereof. The loss on disposal was £35.8 million and revaluation surpluses of £37.5 million were transferred from the revaluation reserve to retained earnings upon disposal, giving a net impact of £1.7 million. Further detail is provided in note 4 to the financial statements.

Group Cash Flow Statement
For the 52 weeks ended 4 October 2014

	Note	2014 £m	2013 (Restated) £m
Operating activities			
Underlying operating profit		**156.1**	168.2
Depreciation and amortisation		**36.3**	35.8
Underlying EBITDA		**192.4**	204.0
Non-underlying operating items		**(107.0)**	(20.3)
EBITDA		**85.4**	183.7
Working capital movement	29	**(23.7)**	11.2
Non-cash movements	29	**78.1**	2.4
Increase/(decrease) in provisions and other non-current liabilities		**22.8**	(4.7)
Difference between defined benefit pension contributions paid and amounts credited/charged		**(26.0)**	(15.1)
Income tax paid		**(8.8)**	(8.1)
Net cash inflow from operating activities		**127.8**	169.4
Investing activities			
Interest received		**0.5**	0.5
Sale of property, plant and equipment and assets held for sale		**143.6**	44.7
Purchase of property, plant and equipment and intangible assets		**(142.6)**	(150.8)
Movement in other non-current assets		**1.3**	1.5
Net cash inflow/(outflow) from investing activities		**2.8**	(104.1)
Financing activities			
Equity dividends paid	8	**(37.1)**	(35.3)
Interest paid		**(74.6)**	(78.3)
Arrangement costs of bank facilities		**(1.9)**	(0.1)
Arrangement costs of other lease related borrowings		**(3.9)**	(7.0)
Swap termination costs		**(25.0)**	–
Proceeds of ordinary share capital issued		**0.2**	1.1
Proceeds from sale of own shares		**0.5**	–
Repayment of securitised debt		**(104.0)**	(22.7)
Advance of bank loans		**21.0**	16.0
Capital element of finance leases repaid		**(0.1)**	(0.3)
Advance of other lease related borrowings		**53.5**	94.6
Advance of other borrowings		**120.0**	–
Net cash outflow from financing activities		**(51.4)**	(32.0)
Net increase in cash and cash equivalents	30	**79.2**	33.3

Group Balance Sheet
As at 4 October 2014

	Note	4 October 2014 £m	5 October 2013 £m
ASSETS			
Non-current assets			
Goodwill	10	**224.2**	224.2
Other intangible assets	11	**25.1**	24.1
Property, plant and equipment	12	**1,990.0**	2,063.6
Deferred tax assets	22	**49.1**	47.3
Retirement benefit surplus	25	**7.8**	–
Other non-current assets	13	**11.5**	12.8
		2,307.7	2,372.0
Current assets			
Inventories	14	**23.0**	21.5
Trade and other receivables	16	**72.9**	69.0
Derivative financial instruments	18	**–**	6.8
Cash and cash equivalents*	30	**173.3**	94.1
		269.2	191.4
Assets held for sale	15	**38.3**	59.9
LIABILITIES			
Current liabilities			
Borrowings*	17	**(144.0)**	(22.7)
Derivative financial instruments	18	**(19.5)**	(6.8)
Trade and other payables	21	**(157.0)**	(174.3)
Current tax liabilities		**(14.2)**	(25.9)
		(334.7)	(229.7)
Non-current liabilities			
Borrowings	17	**(1,227.5)**	(1,262.4)
Derivative financial instruments	18	**(120.7)**	(134.6)
Retirement benefit obligations	25	**–**	(5.1)
Deferred tax liabilities	22	**(131.3)**	(135.5)
Other non-current liabilities	23	**(2.9)**	(0.5)
Provisions for other liabilities and charges	24	**(39.1)**	(13.6)
		(1,521.5)	(1,551.7)
Net assets		**759.0**	841.9
Shareholders' equity			
Equity share capital	27	**44.4**	44.4
Share premium account		**334.0**	333.8
Revaluation reserve		**545.9**	575.3
Capital redemption reserve	28	**6.8**	6.8
Hedging reserve		**(92.9)**	(95.0)
Own shares	28	**(126.8)**	(130.9)
Retained earnings		**47.6**	107.5
Total equity		**759.0**	841.9

The financial statements on pages 52 to 89 were approved by the Board on 27 November 2014 and signed on its behalf by:

Ralph Findlay
Chief Executive Officer
27 November 2014

* During the current period the provider of the securitisation's liquidity facility, the Royal Bank of Scotland Group plc, had its short-term credit rating downgraded below the minimum prescribed in the facility agreement and as such the Group exercised its entitlement to draw the full amount of the facility and hold it in a designated bank account. The amount drawn down of £120.0 million is included within cash and cash equivalents and the corresponding liability is included within borrowings.

Group Statement of Changes in Equity
For the 52 weeks ended 4 October 2014

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

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings (Restated) £m	Total equity (Restated) £m
At 30 September 2012	44.3	332.8	560.4	6.8	(129.6)	(130.9)	78.2	762.0
Profit for the period	–	–	–	–	–	–	56.9	56.9
Remeasurement of retirement benefits	–	–	–	–	–	–	5.9	5.9
Tax on remeasurement of retirement benefits	–	–	–	–	–	–	(1.5)	(1.5)
Gains on cash flow hedges	–	–	–	–	24.9	–	–	24.9
Transfers to the income statement on cash flow hedges	–	–	–	–	24.7	–	–	24.7
Tax on hedging reserve movements	–	–	–	–	(15.0)	–	–	(15.0)
Property revaluation	–	–	2.1	–	–	–	–	2.1
Deferred tax on properties	–	–	15.6	–	–	–	–	15.6
Total comprehensive income	–	–	17.7	–	34.6	–	61.3	113.6
Share-based payments	–	–	–	–	–	–	0.2	0.2
Tax on share-based payments	–	–	–	–	–	–	0.3	0.3
Issue of shares	0.1	1.0	–	–	–	–	–	1.1
Disposal of properties	–	–	(2.1)	–	–	–	2.1	–
Transfer to retained earnings	–	–	(0.7)	–	–	–	0.7	–
Dividends paid	–	–	–	–	–	–	(35.3)	(35.3)
Total transactions with owners	0.1	1.0	(2.8)	–	–	–	(32.0)	(33.7)
At 5 October 2013	**44.4**	**333.8**	**575.3**	**6.8**	**(95.0)**	**(130.9)**	**107.5**	**841.9**

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

Notes
For the 52 weeks ended 4 October 2014

1 Accounting policies

Basis of preparation

These consolidated financial statements for the 52 weeks ended 4 October 2014 (2013: 53 weeks ended 5 October 2013) have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally land and buildings, derivative financial instruments, retirement benefits and share-based payments.

New standards and interpretations

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

IFRS 9	Financial Instruments	
	New accounting standard	1 January 2018
IFRS 10	Consolidated Financial Statements	
	New accounting standard	1 January 2013*
IFRS 11	Joint Arrangements	
	New accounting standard	1 January 2013*
IFRS 12	Disclosure of Interests in Other Entities	
	New accounting standard	1 January 2013*
IFRS 14	Regulatory Deferral Accounts	
	New accounting standard	1 January 2016
IFRS 15	Revenue from Contracts with Customers	
	New accounting standard	1 January 2017
IAS 16	Property, Plant and Equipment	
	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
	Amendments bringing bearer plants into the scope of IAS 16	1 January 2016
IAS 19	Employee Benefits	
	Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	1 July 2014
IAS 27	Consolidated and Separate Financial Statements	
	Reissued as IAS 27 Separate Financial Statements (as amended in 2011)	1 January 2013*
IAS 28	Investments in Associates	
	Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)	1 January 2013*
IAS 32	Financial Instruments: Presentation	
	Amendments relating to the offsetting of assets and liabilities	1 January 2014
IAS 36	Impairment of Assets	
	Amendments arising from Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 38	Intangible Assets	
	Amendments regarding the clarification of acceptable methods of depreciation and amortisation	1 January 2016
IAS 39	Financial Instruments: Recognition and Measurement	
	Amendments for novations of derivatives	1 January 2014
IAS 41	Agriculture	
	Amendments bringing bearer plants into the scope of IAS 16	1 January 2016
IFRIC 21	Levies	1 January 2014

* As the EU has endorsed these standards for financial periods beginning on or after 1 January 2014, they have not been adopted by the Group in these financial statements.

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

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

Basis of consolidation

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

1 Accounting policies continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Accounting policies continued

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

Goodwill

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

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

Property, plant and equipment

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

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

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

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

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

Disposals of property, plant and equipment

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

Impairment

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

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

Acquired brands are reviewed for impairment on a portfolio basis.

Leases

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

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

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

1 Accounting policies continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Accounting policies continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Accounting policies continued

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Accounting policies continued

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

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

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

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

2 Segment reporting

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

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

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

Underlying revenue by segment	2014 £m	2013 £m
Destination and Premium	376.9	349.2
Taverns	225.1	250.8
Leased	53.1	55.6
Brewing	132.5	127.3
Group Services	–	–
Underlying revenue	787.6	782.9
Non-underlying items	27.7	–
Revenue	815.3	782.9

Underlying operating profit by segment	2014 £m	2013 (Restated) £m
Destination and Premium	76.0	70.3
Taverns	55.7	69.5
Leased	23.5	26.0
Brewing	17.4	16.9
Group Services	(16.5)	(14.5)
Underlying operating profit	156.1	168.2
Non-underlying operating items	(107.0)	(21.6)
Operating profit	49.1	146.6
Net finance costs	(108.3)	(79.1)
(Loss)/profit before taxation	(59.2)	67.5

Other segment information	Additions to non-current assets*		Depreciation and amortisation	
	2014 £m	2013 £m	2014 £m	2013 £m
Destination and Premium	104.2	121.3	15.4	14.6
Taverns	19.6	23.6	8.2	9.5
Leased	5.8	5.7	1.9	2.0
Brewing	10.3	15.4	7.5	8.4
Group Services	6.0	7.5	3.3	2.6
Total	145.9	173.5	36.3	37.1

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

2 Segment reporting continued

Geographical areas

Revenue generated outside the United Kingdom during the period was £3.4 million (2013: £3.5 million).

3 Revenue and operating expenses

Revenue	**2014 £m**	2013 £m
Goods	**753.9**	722.3
Services	**61.4**	60.6
	815.3	782.9

Revenue from services includes rents receivable from licensed properties of £21.9 million (2013: £24.3 million).

Operating expenses	**2014 £m**	2013 (Restated) £m
Change in stocks of finished goods and work in progress	**(1.5)**	0.6
Own work capitalised	**(4.7)**	(3.9)
Other operating income	**(7.3)**	(8.7)
Raw materials, consumables and excise duties	**279.6**	268.9
Depreciation of property, plant and equipment	**35.1**	36.1
Amortisation of intangible assets	**1.2**	1.0
Employee costs	**160.9**	166.7
Hire of plant and machinery	**0.9**	0.8
Other operating lease rentals	**20.0**	11.2
Income from other non-current assets	**(0.2)**	(0.3)
Impairment of freehold and leasehold properties	**31.1**	(2.5)
Other net operating charges	**251.1**	166.4
	766.2	636.3

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

	2014 £m	2013 £m
Other operating income	**(0.2)**	–
Raw materials, consumables and excise duties	**9.1**	–
Depreciation of property, plant and equipment	**–**	1.3
Employee costs	**(9.3)**	4.6
Other operating lease rentals	**8.8**	–
Impairment of freehold and leasehold properties	**31.1**	–
Other net operating charges	**95.2**	15.7
	134.7	21.6

PricewaterhouseCoopers LLP fees:	**2014 £m**	2013 £m
Fees payable to the Company's Auditors for the audit of the Company's annual accounts	**0.1**	0.1
Fees payable to the Company's Auditors for other services to the Group:		
The audit of the Company's subsidiaries	**0.1**	0.1
Audit related assurance services	**0.1**	0.1
	0.3	0.3

4 Non-underlying items

	2014 £m	2013 £m
Exceptional operating items		
Non-core estate disposal and reorganisation costs	**50.6**	10.8
Write-off of cellar equipment	**–**	4.9
Recognition of provision for repayment of Rank refunds received	**–**	5.9
Loss on portfolio disposal of pubs	**35.8**	–
Recognition of onerous lease provisions and associated leasehold impairments	**29.5**	–
Credit in respect of defined benefit pension plan	**(10.8)**	–
	105.1	21.6
Other adjusting operating items		
Results in respect of the ongoing management of pubs in the portfolio disposal	**1.9**	–
	1.9	–
Non-underlying operating items	**107.0**	21.6
Exceptional non-operating items		
Interest on Rank refunds	**(0.2)**	0.5
Buyback of securitised debt and associated costs	**27.2**	–
Movement in fair value of interest rate swaps	**8.2**	(3.5)
	35.2	(3.0)
Total non-underlying items	**142.2**	18.6

Non-core estate disposal and reorganisation costs
During the prior period the Group restructured both its pub estate and its operating segments. Costs in respect of this restructuring were incurred in both the current and prior period. The exceptional charge of £50.6 million (2013: £10.8 million) includes an amount of £29.6 million (2013: £nil) in respect of the impairment of non-core properties.

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

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

	2014 £m
Revenue	**27.7**
Operating expenses	**(29.6)**
	(1.9)

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

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

Rank refunds
In previous periods the Group received refunds totalling £5.9 million from HM Revenue & Customs (HMRC). This followed Tribunal/Court of Appeal hearings involving The Rank Group Plc ('Rank'), which concluded that there had been a breach of fiscal neutrality in the treatment of gaming machine income as liable to UK VAT. HMRC issued protective assessments to recover the repayments pending the result of further Court hearings. On 30 October 2013 the Court of Appeal found in favour of HMRC and the Group has now repaid the refunds of £5.9 million plus interest of £0.3 million thereon. In the prior period the Group had recognised a provision for the £5.9 million repayment and interest of £0.5 million. As such there was a reduction in the interest accrual of £0.2 million in the current period.

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

4 Non-underlying items continued

Movement in fair value of interest rate swaps
The Group's interest rate swaps are revalued to fair value at each balance sheet date. The movement in fair value of interest rate swaps which are not designated as part of a hedge relationship, and the ineffective portion of the movement in fair value of interest rate swaps which are accounted for as hedging instruments are both recognised in the income statement. The net loss of £8.2 million (2013: gain of £3.5 million) is shown as an exceptional item.

Impact of taxation
The current tax credit relating to the above non-underlying items amounts to £13.0 million (2013: £1.8 million). The deferred tax credit relating to the above non-underlying items amounts to £11.8 million (2013: £2.3 million). In addition, there is a non-underlying deferred tax credit of £nil (2013: £3.1 million) in relation to the change in corporation tax rate (note 7).

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

5 Employees

Employee costs	**2014 £m**	2013 (Restated) £m
Wages and salaries	**154.9**	148.1
Social security costs	**11.2**	10.9
Pension costs	**(6.5)**	4.5
Share-based payments	**0.7**	0.2
Termination costs	**0.6**	3.0
	160.9	166.7

A net non-underlying credit of £9.3 million (2013: charge of £4.6 million) is included in employee costs.

Average monthly number of employees	**2014 Number**	2013 Number
Bar staff	**10,688**	10,611
Management, administration and production	**2,166**	2,117

Key management personnel
Directors' emoluments are set out in the Directors' Remuneration Report on pages 31 to 43. The total cost to the Group of the Directors' remuneration for the period was £2.6 million (2013: £2.1 million), including employers' national insurance, pension costs and share-based payments.

6 Finance costs and income

Finance costs	2014 £m	2013 (Restated) £m
Unsecured bank borrowings	**12.1**	14.1
Securitised debt	**50.8**	61.8
Finance leases	**1.0**	0.8
Other lease related borrowings	**7.5**	3.4
Net finance cost in respect of retirement benefits	**0.5**	1.5
Other interest payable	**1.5**	2.2
	73.4	83.8
Exceptional finance costs		
Interest on Rank refunds	**(0.2)**	0.5
Buyback of securitised debt and associated costs	**27.2**	–
	27.0	0.5
Total finance costs	**100.4**	84.3
Finance income		
Deposit and other interest receivable	**(0.3)**	(1.7)
Total finance income	**(0.3)**	(1.7)
Movement in fair value of interest rate swaps		
Gain on movement in fair value of interest rate swaps	**(6.8)**	(10.4)
Loss on movement in fair value of interest rate swaps	**15.0**	6.9
	8.2	(3.5)
Net finance costs	**108.3**	79.1

In the prior period deposit and other interest receivable included £1.5 million of interest in relation to income of £1.7 million from a VAT claim, which was included in other operating income.

7 Taxation

Income statement	2014 £m	2013 (Restated) £m
Current tax		
Current period	**14.4**	13.1
Credit in respect of tax on non-underlying items	**(13.0)**	(1.8)
Adjustments in respect of prior periods	**(0.9)**	(0.5)
	0.5	10.8
Deferred tax		
Current period	**2.8**	5.3
Adjustments in respect of prior periods	**–**	(0.1)
Credit in respect of tax on non-underlying items	**(11.8)**	(2.3)
Non-underlying credit in relation to the change in tax rate	**–**	(3.1)
	(9.0)	(0.2)
Taxation (credit)/charge reported in the income statement	**(8.5)**	10.6

Statement of comprehensive income	2014 £m	2013 (Restated) £m
Remeasurement of retirement benefits	**(2.8)**	1.4
Impairment and revaluation of properties	**2.0**	(1.7)
Hedging reserve movements	**0.5**	11.4
Deferred tax credit in respect of the change in tax rate	**–**	(10.2)
Taxation (credit)/charge reported in the statement of comprehensive income	**(0.3)**	0.9

7 Taxation continued

Recognised directly in equity	2014 £m	2013 £m
Tax on share-based payments	**(0.1)**	(0.3)
Taxation credit recognised directly in equity	**(0.1)**	(0.3)

The actual tax rate for the period is higher (2013: lower) than the standard rate of corporation tax of 22% (2013: 23.5%). The differences are explained below:

Tax reconciliation	2014 £m	2013 (Restated) £m
(Loss)/profit before tax	**(59.2)**	67.5
(Loss)/profit before tax multiplied by the corporation tax rate of 22% (2013: 23.5%)	**(13.0)**	15.8
Effect of:		
Adjustments in respect of prior periods	**(0.9)**	(0.6)
Net deferred tax charge/(credit) in respect of land and buildings	**4.5**	(1.9)
Costs not deductible for tax purposes	**0.2**	0.6
Other amounts upon which tax relief is available	**(0.6)**	(0.2)
Impact of difference between deferred and current tax rates	**1.3**	–
Impact of change in tax rate	**–**	(3.1)
Current period taxation (credit)/charge	**(8.5)**	10.6

The March 2012 Budget announced that there would be a reduction in the standard rate of corporation tax from 24% to 22% phased in over two years at 1% per annum from April 2013. The change from 24% to 23% with effect from 1 April 2013 was enacted in the Finance Act 2012 in July 2012. As such the Group's profits for the prior period were taxed at an effective rate of 23.5%.

The December 2012 Autumn Statement announced that the standard rate of corporation tax would now change from 23% to 21% with effect from 1 April 2014. The March 2013 Budget then announced that the standard rate of corporation tax would change from 21% to 20% with effect from 1 April 2015. These changes were both enacted in the Finance Act 2013 in July 2013. As such a non-underlying deferred tax credit of £3.1 million was recognised in the prior period and the Group's losses for the current period have been taxed at an effective rate of 22%.

8 Ordinary dividends on equity shares

Paid in the period	2014 £m	2013 £m
Final dividend for 2013 of 4.1p per share (2012: 3.9p)	**23.4**	22.2
Interim dividend for 2014 of 2.4p per share (2013: 2.3p)	**13.7**	13.1
	37.1	35.3

A final dividend for 2014 of 4.3p per share amounting to £24.6 million has been proposed for approval at the Annual General Meeting, but has not been reflected in the financial statements.

This dividend will be paid on 2 February 2015 to those shareholders on the register at close of business on 19 December 2014.

9 Earnings per ordinary share

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

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

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

9 Earnings per ordinary share continued

	2014		2013 (Restated)	
	Earnings £m	**Per share amount p**	Earnings £m	Per share amount p
Basic (loss)/earnings per share	**(50.7)**	**(8.9)**	56.9	10.0
Diluted (loss)/earnings per share*	**(50.7)**	**(8.9)**	56.9	9.9
Underlying earnings per share figures				
Basic underlying earnings per share	**66.7**	**11.7**	68.3	12.0
Diluted underlying earnings per share	**66.7**	**11.6**	68.3	11.9

* The 2014 diluted loss per share is the same as the basic loss per share as the inclusion of the dilutive potential ordinary shares would reduce the loss per share and as such is not dilutive in accordance with IAS 33 'Earnings per Share'.

	2014 m	2013 m
Basic weighted average number of shares	**571.0**	569.4
Dilutive options	**5.0**	5.1
Diluted weighted average number of shares	**576.0**	574.5

10 Goodwill

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

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

Impairment testing of goodwill

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

The carrying amount of goodwill has been allocated £87.5 million (2013: £87.5 million) to Destination and Premium, £86.6 million (2013: £86.6 million) to Taverns, £26.5 million (2013: £26.5 million) to Leased and £23.6 million (2013: £23.6 million) to Brewing. Goodwill has been allocated to operating segments based on the extent to which the benefits of acquisitions flow to that segment.

The key assumptions used in determining value in use are the pre-tax discount rate applied to the cash flow projections of 7.5% (2013: 7.5%) and the growth rate used to extrapolate the projected cash flows beyond the one year budgets of 2.0% (2013: 2.0%) in line with an expected long-term growth rate which is below the long-term average growth rate for the industry. Risk factors are considered to be similar in each of the Group's operating segments.

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

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

11 Other intangible assets

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

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

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

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

The carrying value of acquired brands is split as follows:

	2014 £m	2013 £m
Wychwood	**13.6**	13.6
Jennings	**2.8**	2.8
Ringwood	**2.9**	2.9
	19.3	19.3

Acquired brands relate to Brewing.

Impairment testing of acquired brands

The carrying values of acquired brands are subject to annual impairment reviews on a value in use basis. The recoverable amount of each brand is calculated based on anticipated future income generated by that brand. The key assumptions used in the impairment testing of brands are a pre-tax discount rate of 7.5% (2013: 7.5%) and a long-term growth rate used to extrapolate cash flows beyond the cash flow projection period of one year of 2.0% (2013: 2.0%) in line with an expected long-term growth rate which is below the long-term average growth rate for the industry. These assumptions are based on historic trends adjusted for management estimates of future prospects, and take account of economic forecasts, marketing plans, political factors and assessments of competitors' strategy.

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

Notes continued
For the 52 weeks ended 4 October 2014

12 Property, plant and equipment

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

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

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

	2014 £m	2013 £m
Freehold properties	**1,578.3**	1,652.0
Leasehold properties over 50 years unexpired	**215.5**	211.4
Leasehold properties under 50 years unexpired	**29.4**	24.3
	1,823.2	1,887.7

12 Property, plant and equipment continued

Cost or valuation of land and buildings comprises:

	2014 £m	2013 £m
Valuation	**1,647.2**	1,770.2
At cost	**179.7**	119.4
	1,826.9	1,889.6

If the freehold and leasehold properties had not been revalued, the historical cost net book amount would be £1,325.9 million (2013: £1,372.5 million).

Cost at 4 October 2014 includes £25.8 million (2013: £29.5 million) of assets in the course of construction.

Interest costs of £1.5 million (2013: £0.9 million) were capitalised in respect of the financing of major projects.

The net loss on disposal of property, plant and equipment, intangible assets and assets held for sale was £46.5 million (2013: £5.0 million). A profit on disposal of £8.1 million (2013: £2.8 million) is included within the Group's underlying results.

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £9.0 million (2013: £10.5 million).

The net book amount of land and buildings held under finance leases at 4 October 2014 was £21.8 million (2013: £21.4 million). The net book amount of land and buildings held as part of sale and leaseback arrangements that do not fall within the scope of IAS 17 'Leases' was £161.2 million (2013: £112.0 million).

Revaluation/impairment

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

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

	2014 £m	2013 £m
Income statement:		
Revaluation loss charged as an impairment	**(7.4)**	–
Reversal of past impairments	**–**	2.5
	(7.4)	2.5
Revaluation reserve:		
Unrealised revaluation surplus	**16.4**	2.1
Reversal of past revaluation surplus	**(3.4)**	–
	13.0	2.1
Net increase in shareholders' equity/property, plant and equipment	**5.6**	4.6

Fair value of land and buildings

IFRS 13 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – inputs for the asset or liability that are not based on observable market data.

The table below shows the level in the fair value hierarchy into which the fair value measurements of land and buildings have been categorised:

	2014				2013			
Recurring fair value measurements	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Land and buildings:								
Specialised brewery properties	**–**	**–**	**23.7**	**23.7**	–	–	23.7	23.7
Other land and buildings	**–**	**1,799.5**	**–**	**1,799.5**	–	1,864.0	–	1,864.0
	–	**1,799.5**	**23.7**	**1,823.2**	–	1,864.0	23.7	1,887.7

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

12 Property, plant and equipment continued

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

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

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

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

Level 3 recurring fair value measurements	**2014 £m**	2013 £m
At beginning of the period	**23.7**	23.4
Additions	**0.3**	0.6
Depreciation charge for the period	**(0.3)**	(0.3)
At end of the period	**23.7**	23.7

The Group's properties are revalued by external independent qualified valuers at least once in each rolling three year period. The last external valuation of the Group's freehold and leasehold properties was performed as at 1 July 2012. The Group has an internal team of qualified valuers and at each reporting date the estate is reviewed for any indication of significant changes in value. Where this is the case internal valuations are performed on a basis consistent with those performed externally.

13 Other non-current assets

Trade loans	**2014 £m**	2013 £m
At beginning of the period	**12.8**	14.3
Additions	**2.3**	2.1
Disposals, repayments and impairments	**(3.6)**	(3.6)
At end of the period	**11.5**	12.8

Other non-current assets are shown net of a provision of £1.7 million (2013: £1.5 million).

14 Inventories

	2014 £m	2013 £m
Raw materials and consumables	**5.6**	5.6
Work in progress	**0.7**	0.6
Finished goods	**16.7**	15.3
	23.0	21.5

15 Assets held for sale

	2014 £m	2013 £m
Properties	**38.3**	59.9

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

During the current and prior period, all properties classed as held for sale were reviewed for impairment. This review identified an impairment of £23.7 million (2013: £nil) which has been taken to the income statement.

16 Trade and other receivables

	2014 £m	2013 £m
Trade receivables	**32.6**	28.6
Prepayments and accrued income	**24.7**	25.7
Other receivables	**15.6**	14.7
	72.9	69.0

Trade receivables are shown net of a provision of £0.8 million (2013: £0.7 million). Other receivables are shown net of a provision of £3.7 million (2013: £4.3 million).

The ageing analysis of trade receivables is as follows:

	2014 £m	2013 £m
Neither past due nor impaired	**25.5**	22.5
Less than 30 days	**3.1**	2.4
31 to 60 days	**1.0**	0.7
Greater than 60 days	**3.0**	3.0
	32.6	28.6

Included within other receivables is an amount of £6.3 million (2013: £6.2 million), net of provision, which relates to amounts due from tenants of licensed properties. A significant proportion of this balance is greater than 60 days old.

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

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

At 4 October 2014 the value of collateral held in the form of cash deposits was £8.2 million (2013: £8.5 million).

17 Borrowings

Current	2014 £m	2013 £m
Unsecured bank borrowings	**(0.8)**	(0.8)
Securitised debt	**24.8**	23.4
Finance leases	**0.1**	0.1
Other leased related borrowings	**(0.1)**	–
Other borrowings	**120.0**	–
	144.0	22.7

Non-current	2014 £m	2013 £m
Unsecured bank borrowings	**209.5**	189.6
Securitised debt	**859.8**	964.2
Finance leases	**20.7**	20.8
Other lease related borrowings	**137.4**	87.7
Preference shares	**0.1**	0.1
	1,227.5	1,262.4

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

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

Other borrowings represent amounts drawn down under the securitisation's liquidity facility. During the current period the facility's provider, the Royal Bank of Scotland Group plc, had its short-term credit rating downgraded below the minimum prescribed in the facility agreement and as such the Group exercised its entitlement to draw the full amount of the facility and hold it in a designated bank account. The corresponding balance of £120.0 million (2013: £nil) held in this bank account is included within cash and cash equivalents.

The Group has 75,000 (2013: 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.

17 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.

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

	2014			2013		
Due:	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m
Within one year	145.5	(1.5)	144.0	24.1	(1.4)	22.7
In more than one year but less than two years	26.8	(1.5)	25.3	25.5	(1.4)	24.1
In more than two years but less than five years	302.5	(3.5)	299.0	276.5	(2.5)	274.0
In more than five years	917.8	(14.6)	903.2	976.1	(11.8)	964.3
	1,392.6	(21.1)	1,371.5	1,302.2	(17.1)	1,285.1

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

	Carrying amount		Fair value	
	2014 £m	2013 £m	2014 £m	2013 £m
Unsecured bank borrowings	212.0	191.0	212.0	191.0
Securitised debt	891.6	995.6	923.7	971.5
Finance leases	20.8	20.9	20.8	20.9
Other lease related borrowings	148.1	94.6	148.1	94.6
Other borrowings	120.0	–	120.0	–
Preference shares	0.1	0.1	0.1	0.1
	1,392.6	1,302.2	1,424.7	1,278.1

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 the Group's other borrowings approximate to their carrying amounts and are within Level 2 of the fair value hierarchy.

18 Derivative financial instruments

Interest rate swaps	2014 £m	2013 £m
Current assets	–	6.8
Current liabilities	(19.5)	(6.8)
Non-current liabilities	(120.7)	(134.6)
	(140.2)	(134.6)

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

19 Securitised debt

On 9 August 2005 £805.0 million of secured loan notes were issued in connection with the securitisation of 1,592 of the Group's pubs held in Marston's Pubs Limited. On 22 November 2007, a further £330.0 million of secured loan notes (tranches A4 and AB1) were issued in connection with the securitisation of an additional 437 of the Group's pubs, also held in Marston's Pubs Limited. The loan notes are secured over the properties and their future income streams and were issued by Marston's Issuer PLC, a special purpose entity. On 15 January 2014 all of the AB1 notes were repurchased by the Group at par and immediately cancelled.

During the period ended 4 October 2014, 173 (2013: 104) of the securitised pubs were sold to third parties, 197 pubs (2013: 5) were sold to another member of the Group and 6 pubs (2013: nil) were acquired from other members of the Group. The carrying amount of the securitised pubs at 4 October 2014 was £1,260.5 million (2013: £1,409.8 million).

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

The tranches of securitised debt have the following principal terms:

Tranche	**2014 £m**	2013 £m	Interest	Principal repayment period – by instalments	Expected average life	Expected maturity date
A1	**115.1**	131.6	Floating	2014 to 2020	6 years	2020
A2	**214.0**	214.0	Fixed/floating	2020 to 2027	13 years	2027
A3	**200.0**	200.0	Fixed/floating	2027 to 2032	18 years	2032
A4	**207.5**	215.0	Floating	2014 to 2031	17 years	2031
AB1	**–**	80.0	Floating	N/A	N/A	N/A
B	**155.0**	155.0	Fixed/floating	2032 to 2035	21 years	2035
	891.6	995.6				

The interest payable on each tranche is as follows:

Tranche	Before step up	After step up	Step up date
A1	3 month LIBOR + 0.55%	3 month LIBOR + 1.375%	July 2012
A2	5.1576%	3 month LIBOR + 1.32%	July 2019
A3	5.1774%	3 month LIBOR + 1.45%	April 2027
A4	3 month LIBOR + 0.65%	3 month LIBOR + 1.625%	October 2012
AB1	3 month LIBOR + 1.25%	3 month LIBOR + 3.125%	October 2012
B	5.6410%	3 month LIBOR + 2.55%	July 2019

All floating rate notes are hedged in full by the Group using interest rate swaps whereby all interest payments are swapped to fixed interest payable. Upon buyback of the AB1 notes the associated floating-to-fixed interest rate swap held in respect of this tranche of debt was terminated.

At 4 October 2014 Marston's Pubs Limited held cash of £38.1 million (2013: £76.6 million), which was governed by certain restrictions under the covenants associated with the securitisation. In addition Marston's Issuer PLC held cash of £120.2 million (2013: £nil) principally in respect of the amounts drawn under the liquidity facility.

20 Financial instruments

Financial instruments by category

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

At 4 October 2014	Assets at fair value through profit or loss £m	Loans and receivables £m	Total £m
Assets as per the balance sheet			
Derivative financial instruments	–	–	–
Trade receivables (before provision)	–	33.4	33.4
Other receivables (before provision)	–	19.3	19.3
Trade loans (before provision)	–	13.2	13.2
Cash and cash equivalents	–	173.3	173.3
	–	**239.2**	**239.2**

At 4 October 2014	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
Liabilities as per the balance sheet				
Derivative financial instruments	120.7	19.5	–	140.2
Borrowings	–	–	1,371.5	1,371.5
Trade payables	–	–	67.4	67.4
Other payables	–	–	15.7	15.7
	120.7	**19.5**	**1,454.6**	**1,594.8**

At 5 October 2013	Assets at fair value through profit or loss £m	Loans and receivables £m	Total £m
Assets as per the balance sheet			
Derivative financial instruments	6.8	–	6.8
Trade receivables (before provision)	–	29.3	29.3
Other receivables (before provision)	–	19.0	19.0
Trade loans (before provision)	–	14.3	14.3
Cash and cash equivalents	–	94.1	94.1
	6.8	**156.7**	**163.5**

At 5 October 2013	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
Liabilities as per the balance sheet				
Derivative financial instruments	134.6	6.8	–	141.4
Borrowings	–	–	1,285.1	1,285.1
Trade payables	–	–	71.0	71.0
Other payables	–	–	25.0	25.0
	134.6	**6.8**	**1,381.1**	**1,522.5**

20 Financial instruments continued

Fair values of financial instruments

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

IFRS 13 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – inputs for the asset or liability that are not based on observable market data.

The table below shows the level in the fair value hierarchy into which fair value measurements have been categorised:

	2014				2013			
Assets as per the balance sheet	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	–	–	–	–	–	6.8	–	6.8

	2014				2013			
Liabilities as per the balance sheet	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	–	**140.2**	–	**140.2**	–	141.4	–	141.4

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. The Group obtains such valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

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

Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting:

At 4 October 2014	**Gross amount of recognised financial asset £m**	**Gross amount of recognised financial liabilities set off in the balance sheet £m**	**Net amount of financial assets presented in the balance sheet £m**
Cash and cash equivalents	**180.9**	**(7.6)**	**173.3**

At 5 October 2013	**Gross amount of recognised financial asset £m**	**Gross amount of recognised financial liabilities set off in the balance sheet £m**	**Net amount of financial assets presented in the balance sheet £m**
Cash and cash equivalents	**109.7**	**(15.6)**	**94.1**

The Group has a netting arrangement in respect of certain of its bank accounts held with the same counterparty. This arrangement allows for the net settlement of the balances on these bank accounts.

20 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 (Group Treasury) under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas, such as interest rate risk, credit risk, investment of excess liquidity and use of derivative and non-derivative financial instruments.

Interest rate risk:
The Group's income and operating cash flows are substantially independent of changes in market interest rates, and as such the Group's interest rate risk arises from its long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on the income statement of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional amounts.

If interest rates had been 0.5% higher/lower during the period ended 4 October 2014, with all other variables held constant, post-tax (loss)/profit for the period would have been £0.4 million (2013: £0.3 million) lower/higher as a result of higher/lower interest expense.

Interest rate swaps designated as part of a hedging arrangement
The Group uses interest rate swaps to fix the interest rate payable on the floating rate tranches of its securitised debt (note 19). The notional principal amounts of these interest rate swap contracts at 4 October 2014 totalled £322.6 million (2013: £426.6 million). These interest rate swaps, including borrowing margins, fix interest at 6.2% and 6.8%. The movement in fair value recognised in other comprehensive income in the period was a loss of £22.1 million (2013: gain of £44.0 million). The movement in fair value recognised in the income statement in the period was a loss of £4.5 million (2013: £nil).

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

Interest rate swaps not designated as part of a hedging arrangement
On 1 October 2007 the Group entered into two interest rate swaps of £70.0 million each to fix the interest rate payable on the Group's unsecured bank borrowings. These interest rate swaps fixed interest at 5.5% and 5.6% and terminated on 1 October 2014. The movement in fair value recognised in the income statement in the period was a gain of £6.8 million (2013: £6.9 million).

On 22 March 2012 the Group entered into four new fixed-to-floating interest rate swaps of £35.0 million each. In total, these swaps were equal and opposite to the above two floating-to-fixed interest rate swaps of £70.0 million each. The total fair value of the four new swaps at inception was £15.1 million. The movement in fair value recognised in the income statement in the period was a loss of £6.8 million (2013: £6.9 million).

On the same date the Group entered into two forward starting interest rate swaps of £60.0 million each to fix the interest rate payable on the Group's unsecured bank borrowings. These interest rate swaps originally fixed interest at 4.1% and were due to terminate on 30 April 2020. In the current period the termination date of the swaps was extended to 28 April 2023 and the terms were amended to fix interest at 3.0% until 28 April 2016 and 4.5% thereafter. In total, the fair value of the two swaps at inception was £(18.9) million. At 5 October 2013 these swaps were designated as part of a hedging relationship; however this designation was revoked at the start of the current period. The movement in fair value recognised in other comprehensive income in the period was a gain of £nil (2013: £5.6 million). The movement in fair value recognised in the income statement in the period was a loss of £3.7 million (2013: gain of £3.1 million).

On 20 May 2009 the Group entered into a forward starting interest rate swap of £20.0 million. This interest rate swap commenced on 9 August 2010, fixed interest at 3.3% and terminated on 8 August 2013. The movement in fair value recognised in the income statement in the period was a gain of £nil (2013: £0.4 million).

20 Financial instruments continued

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

	2014			2013		
	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	**260.9**	**1,131.7**	**1,392.6**	186.5	1,115.7	1,302.2

The weighted average interest rate of the fixed rate financial borrowings was 5.4% (2013: 5.8%) and the weighted average period for which the rate is fixed was 15 years (2013: 16 years).

Foreign currency risk:
The Group buys and sells goods denominated in non-sterling currencies, principally US dollars and euros. As a result, movements in exchange rates can affect the value of the Group's income and expenditure. The Group's exposure in this area is not considered to be significant.

Counterparty risk:
The Group's counterparty risk in respect of its cash and cash equivalents is mitigated by the use of various banking institutions for its deposits.

There is no significant concentration of counterparty risk in respect of the Group's pension assets, as these are held with a range of institutions.

Credit risk:
Credit risk is managed on a Group basis. Credit risk arises from credit exposure to customers, including outstanding receivables and committed transactions. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, an assessment is made of the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of and adherence to credit limits is regularly monitored.

A provision for impairment of trade receivables, other receivables and trade loans has been estimated by management and is based on prior experience and known factors at the balance sheet date after taking into account collateral held in the form of cash deposits and fixtures and fittings. Receivables are written off against the provision for impairment when management considers that the debt is no longer recoverable.

The Group has no significant concentration of credit risk in respect of its customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

Liquidity risk:
The Group applies a prudent liquidity risk management policy, which involves maintaining sufficient cash, ensuring the availability of funding through an adequate amount of committed credit facilities and having the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury maintains the availability of committed credit lines to ensure that the Group has flexibility in funding.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow. In addition, the Group's liquidity management policy involves maintaining debt financing plans, projecting cash flows and considering the level of liquid assets necessary to meet these, and monitoring balance sheet liquidity ratios against internal and external regulatory requirements. The Group's borrowing covenants are subject to regular review.

The table below analyses the Group's financial liabilities and non-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 4 October 2014	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings	198.2	82.6	467.6	1,534.1	2,282.5
Derivative financial instruments	14.6	12.2	28.3	112.6	167.7
Trade payables	67.4	–	–	–	67.4
Other payables	15.7	–	–	–	15.7
	295.9	**94.8**	**495.9**	**1,646.7**	**2,533.3**

At 5 October 2013	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings	70.8	73.5	413.7	1,352.6	1,910.6
Derivative financial instruments	29.2	19.7	34.0	74.3	157.2
Trade payables	71.0	–	–	–	71.0
Other payables	25.0	–	–	–	25.0
	196.0	**93.2**	**447.7**	**1,426.9**	**2,163.8**

21 Trade and other payables

	2014 £m	2013 £m
Trade payables	**67.4**	71.0
Other taxes and social security	**22.9**	32.4
Accruals and deferred income	**51.0**	45.9
Other payables	**15.7**	25.0
	157.0	174.3

Other payables include £nil (2013: £10.3 million) payable in respect of a supplier credit arrangement.

22 Deferred tax

Net deferred tax liability

Deferred tax is calculated on temporary differences between tax bases of assets and liabilities and their carrying amounts under the liability method using a tax rate of 20% (2013: 20%). The movement on the deferred tax accounts is shown below:

	2014 £m	2013 (Restated) £m
At beginning of the period	**88.2**	87.6
Credited to the income statement	**(9.0)**	(0.2)
Charged/(credited) to equity:		
Impairment and revaluation of properties	**2.0**	(15.6)
Hedging reserve	**0.5**	15.0
Retirement benefits	**0.5**	1.5
Share-based payments	**–**	(0.1)
At end of the period	**82.2**	88.2

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

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

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

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

22 Deferred tax continued

Deferred tax liabilities	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Other £m	Total £m
At 30 September 2012	35.3	114.1	2.0	7.6	159.0
Credited to the income statement	(4.2)	–	(1.3)	(2.4)	(7.9)
Credited to equity	–	(15.6)	–	–	(15.6)
At 5 October 2013	**31.1**	**98.5**	**0.7**	**5.2**	**135.5**

Deferred tax assets	Pensions (Restated) £m	Tax losses £m	Hedging reserve £m	Other £m	Total (Restated) £m
At 30 September 2012	(5.6)	(23.5)	(38.8)	(3.5)	(71.4)
Charged to the income statement	3.1	2.8	–	1.8	7.7
Charged/(credited) to equity	1.5	–	15.0	(0.1)	16.4
At 5 October 2013	**(1.0)**	**(20.7)**	**(23.8)**	**(1.8)**	**(47.3)**

Net deferred tax liability	
At 29 September 2012	87.6
At 5 October 2013	**88.2**

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where it is probable that these assets will be recovered.

23 Other non-current liabilities

	2014 £m	2013 £m
Other liabilities	**2.9**	0.5

24 Provisions for other liabilities and charges

Property leases	2014 £m	2013 £m
At beginning of the period	**13.6**	17.7
Released in the period	**–**	(1.9)
Provided in the period	**28.0**	0.9
Unwinding of discount	**0.7**	0.7
Utilised in the period	**(3.2)**	(3.8)
At end of the period	**39.1**	13.6

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as liabilities in provisions. Other contractual property costs are also recorded as provisions as appropriate.

Payments are expected to continue on these properties for periods of 1 to 78 years (2013: 1 to 56 years).

In the current period the net provision made of £28.0 million has been classified as a non-underlying item (note 4).

25 Retirement benefits

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

Defined contribution plans

Pension costs for defined contribution plans are as follows:

	2014 £m	2013 £m
Defined contribution plans	**4.3**	3.8

25 Retirement benefits continued

Defined benefit plan

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

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

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

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

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

	Fair value of plan assets		Present value of defined benefit obligation		Net surplus/ (deficit)	
	2014 £m	2013 (Restated) £m	2014 £m	2013 (Restated) £m	2014 £m	2013 (Restated) £m
At beginning of the period	427.8	390.4	(432.9)	(414.9)	(5.1)	(24.5)
Current service cost	–	–	(2.1)	(2.1)	(2.1)	(2.1)
Interest income/(expense)	18.6	17.1	(18.5)	(17.9)	0.1	(0.8)
Remeasurements:						
Return on plan assets (excluding interest income)	14.0	22.1	–	–	14.0	22.1
Effect of changes in demographic assumptions	–	–	(0.4)	–	(0.4)	–
Effect of changes in financial assumptions	–	–	(26.2)	(16.3)	(26.2)	(16.3)
Past service cost	–	–	12.9	1.4	12.9	1.4
Cashflows:						
Employer contributions	15.2	15.8	–	–	15.2	15.8
Employee contributions	0.1	0.1	(0.1)	(0.1)	–	–
Administrative expenses paid from plan assets	(0.6)	(0.7)	–	–	(0.6)	(0.7)
Benefits paid	(21.5)	(17.0)	21.5	17.0	–	–
At end of the period	453.6	427.8	(445.8)	(432.9)	7.8	(5.1)

Pension costs recognised in the income statement

A credit of £10.8 million (2013: charge of £0.7 million) comprising the current service cost and the past service cost is included within employee costs (note 5) and a charge of £0.5 million (2013: £1.5 million) comprising the net interest on the net defined benefit asset/liability and the administrative expenses paid from plan assets is included within finance costs and income (note 6).

A negative past service cost of £11.2 million (2013: £nil) was recognised in the current period due to the closure of the plan to future accrual at 30 September 2014 and the cutting of the link to future salary increases with effect from this date. The net credit of £10.8 million comprising this negative past service cost less the associated costs of £0.4 million has been classed as a non-underlying item (note 4).

An updated actuarial valuation of the plan was performed by Mercer as at 4 October 2014 for the purposes of IAS 19. The principal assumptions made by the actuaries were:

	2014	2013
Discount rate	4.0%	4.4%
Rate of increase in pensionable salaries	3.6%	3.7%
Rate of increase in pensions – 5% LPI	3.0%	3.1%
Rate of increase in pensions – 2.5% LPI	2.1%	2.1%
Inflation assumption (RPI)	3.1%	3.2%
Inflation assumption (CPI)	2.1%	2.2%
Employed deferred revaluation	2.1%	N/A
Life expectancy for active and deferred members from age 65 (years)		
Male	23.6	23.5
Female	26.0	25.9
Life expectancy for current pensioners from age 65 (years)		
Male	21.8	21.7
Female	24.1	23.9

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

25 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 4.3%	Increase by 4.6%
Inflation assumption	0.25%	Increase by 2.4%	Decrease by 2.0%
Life expectancy	One year	Increase by 2.7%	Decrease by 2.7%

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

Plan assets are comprised as follows:

	2014 £m	2013 £m
Equities/Properties	**197.2**	190.1
Bonds/Gilts	**203.6**	187.5
Cash/Other	**4.8**	3.4
Buy-in policy (matching annuities)	**48.0**	46.8
	453.6	427.8

The actual return on plan assets was a gain of £32.6 million (2013: £39.2 million).

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

The Trustees of the plan hold a range of assets and are aiming to better align the cash flows from these to those of the plan. They are also currently working with the Group to de-risk their portfolio further.

The Group is aiming to eliminate the plan's funding deficit by 2017. During the current period the contribution rate was 22.3% and lump sums of £1.1 million per month were paid into the plan. Following the closure of the plan to future accrual the only contributions to the plan will comprise lump sum contributions. The next triennial valuation will be performed as at 30 September 2014.

The current agreed employer contributions expected to be paid during the financial period ending 3 October 2015 amount to £13.8 million, subject to discussions as part of the triennial valuation.

The weighted average duration of the defined benefit obligation is 18 years.

Post-retirement medical benefits

A gain of £0.1 million (2013: £0.1 million) in respect of the remeasurement of post-retirement medical benefits has been included in the statement of comprehensive income.

26 Share-based payments

During the period there were two classes of equity-settled employee share incentive plans outstanding:

(a) Save As You Earn (SAYE). Under this scheme employees enter into a savings contract for a period of three to seven years and options are granted on commencement of the contract, exercisable using the amount saved under the contract at the time it terminates. Options under the scheme are granted at a discount of 20% to the market price of the shares at the time of the invitation and are not subject to performance conditions. Exercise of options is subject to continued employment.

(b) Long Term Incentive Plan (LTIP). Under this scheme nil cost options are granted that will only vest provided the participant satisfies the minimum shareholding requirement and performance conditions relating to earnings per share, return on capital, free cash flow and relative total shareholder return, as set out in the Directors' Remuneration Report on page 34, 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 comprise an HMRC approved option (in respect of the first £30,000 worth of an award) and an unapproved LTIP award for amounts in excess of this HMRC limit. A further share award (a linked award) is also provided to enable participants to fund the exercise of the approved option. This linked award is satisfied by way of shares from the Company's Employee Benefit Trust but these additional shares are not generally delivered to the participant. Under these rules the LTIP options are still issued at nil cost to the employee.

The tables below summarise the outstanding share options.

	Number of shares		Weighted average exercise price	
SAYE:	**2014 m**	2013 m	**2014 p**	2013 p
Outstanding at beginning of the period	**5.1**	6.2	**90.2**	83.8
Granted	**2.6**	0.9	**121.0**	122.8
Exercised	**(0.8)**	(1.4)	**85.9**	81.1
Expired	**(0.4)**	(0.6)	**99.7**	97.1
Outstanding at end of the period	**6.5**	5.1	**102.1**	90.2
Exercisable at end of the period	**0.2**	0.2	**128.3**	90.0
Range of exercise prices	**76.1p to 265.5p**	76.1p to 265.5p		
Weighted average remaining contractual life (years)	**2.8**	2.8		

	Number of shares		Weighted average exercise price	
LTIP:	**2014 m**	2013 m	**2014 p**	2013 p
Outstanding at beginning of the period	**4.2**	5.1	**–**	–
Granted	**1.8**	1.3	**–**	–
Exercised	**(0.6)**	–	**–**	–
Expired	**(0.8)**	(2.2)	**–**	–
Outstanding at end of the period	**4.6**	4.2	**–**	–
Exercisable at end of the period	**–**	–		
Exercise price	**–**	–		

LTIP options are exercisable no later than the tenth anniversary of the date of grant.

At the start of the prior period there were 0.1 million options outstanding in respect of the Group's Executive Share Option Plan (ESOP). These options had an exercise price of 108.4p and were all exercised in the prior period.

The fair values of the SAYE and LTIP rights are calculated at the date of grant using the Black-Scholes option-pricing model. The significant inputs into the model for all schemes unless otherwise stated were:

	2014	2013
Dividend yield %	**4.5**	4.8
Expected volatility %	**20.1 to 28.2**	20.6 to 42.4
Risk free interest rate %	**1.3 to 2.1**	0.7 to 1.2
Expected life of rights		
SAYE	**3 to 5 years**	3 to 5 years
LTIP	**3 years**	3 years

26 Share-based payments continued

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

The weighted average fair value of options granted during the period in relation to the SAYE was 16.2p (2013: 16.5p). The fair value of options granted during the period in relation to the LTIP was 123.3p (2013: 127.1p).

The weighted average share price for options exercised over the period was 146.3p (2013: 154.1p). The total charge for the period relating to employee share-based payment plans was £0.7 million (2013: £0.2 million), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £0.6 million (2013: £0.1 million).

27 Equity share capital

Allotted, called up and fully paid	2014 Number m	2014 Value £m	2013 Number m	2013 Value £m
Ordinary shares of 7.375p each:				
At beginning of the period	**602.6**	**44.4**	601.1	44.3
Allotted under share option schemes	**0.2**	**–**	1.5	0.1
At end of the period	**602.8**	**44.4**	602.6	44.4

A total of 0.2 million (2013: 1.5 million) ordinary shares were issued during the period ended 4 October 2014 pursuant to the exercise of ESOP and SAYE share options. The aggregate consideration in respect of these exercises was £0.2 million (2013: £1.1 million).

At 4 October 2014 there were 6.5 million (2013: 5.1 million) SAYE options outstanding at prices from 76.1p to 265.5p per share exercisable between 2014 and 2020. Details of the Group's LTIP are included in the Directors' Remuneration Report on page 34.

28 Other components of equity

The capital redemption reserve of £6.8 million (2013: £6.8 million) arose on share buybacks.

Own shares represent the carrying value of the investment in own shares held by the Group's ESOP and LTIP and in treasury shares as set out in the table below. ESOP and LTIP shares are held pursuant to the Company's executive share option schemes. The trustee of the ESOP is Banks's Brewery Insurance Limited, a wholly-owned subsidiary of Marston's PLC. The trustee of the LTIP is Computershare Trustees (C.I.) Limited.

	2014 Number m	2014 Value £m	2013 Number m	2013 Value £m
ESOP	**0.1**	**0.1**	0.1	0.1
LTIP	**1.1**	**2.6**	1.7	4.1
Treasury shares	**29.6**	**124.1**	30.2	126.7
	30.8	**126.8**	32.0	130.9

The market value of own shares held is £44.0 million (2013: £46.4 million). Shares held by the LTIP represent 0.2% (2013: 0.3%) of issued share capital. Treasury shares held represent 4.9% (2013: 5.0%) of issued share capital.

Dividends on own shares have been waived.

Capital management

The Group considers its capital to comprise total equity (as disclosed on the face of the Group balance sheet) and net debt (note 30). In managing its capital the primary objective is to ensure that the Group is able to continue to operate as a going concern and to maximise return to shareholders through a combination of capital growth and distributions. The Group seeks to maintain a ratio of debt to equity that both balances risks and returns at an acceptable level and retains sufficient funds to comply with lending covenants, achieve working capital targets and meet investment requirements. The Board reviews the Group's dividend policy and funding requirements at least once a year.

29 Working capital and non-cash movements

Working capital movement	2014 £m	2013 £m
(Increase)/decrease in inventories	**(1.5)**	0.7
Increase in trade and other receivables	**(3.9)**	(6.9)
(Decrease)/increase in trade and other payables	**(18.3)**	17.4
	(23.7)	11.2

29 Working capital and non-cash movements continued

Non-cash movements	2014 £m	2013 £m
Income from other non-current assets	**(0.2)**	(0.3)
Movements in respect of property, plant and equipment, assets held for sale and intangible assets	**77.6**	2.5
Share-based payments	**0.7**	0.2
	78.1	2.4

Further details of movements in respect of property, plant and equipment, assets held for sale and intangible assets are given in notes 11, 12 and 15.

30 Net debt

Analysis of net debt	2014 £m	Cash flow £m	Non-cash movements and deferred issue costs £m	2013 £m
Cash and cash equivalents				
Cash at bank and in hand	**173.3**	79.2	–	94.1
	173.3	79.2	–	94.1
Debt due within one year				
Unsecured bank borrowings	**0.8**	–	–	0.8
Securitised debt	**(24.8)**	24.0	(25.4)	(23.4)
Finance leases	**(0.1)**	0.1	(0.1)	(0.1)
Other lease related borrowings	**0.1**	–	0.1	–
Other borrowings	**(120.0)**	(120.0)	–	–
	(144.0)	(95.9)	(25.4)	(22.7)
Debt due after one year				
Unsecured bank borrowings	**(209.5)**	(21.0)	1.1	(189.6)
Securitised debt	**(859.8)**	80.0	24.4	(964.2)
Finance leases	**(20.7)**	–	0.1	(20.8)
Other lease related borrowings	**(137.4)**	(53.5)	3.8	(87.7)
Preference shares	**(0.1)**	–	–	(0.1)
	(1,227.5)	5.5	29.4	(1,262.4)
Net debt	**(1,198.2)**	(11.2)	4.0	(1,191.0)

Unsecured bank borrowings due within one year represent unamortised issue costs expected to be charged to the income statement within 12 months of the balance sheet date. Unsecured bank borrowings due after one year represent amounts drawn down under the Group's revolving credit facility, net of unamortised issue costs expected to be charged to the income statement after 12 months from the balance sheet date.

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

Other borrowings represent amounts drawn down under the securitisation's liquidity facility. During the current period the facility's provider, the Royal Bank of Scotland Group plc, had its short-term credit rating downgraded below the minimum prescribed in the facility agreement and as such the Group exercised its entitlement to draw the full amount of the facility and hold it in a designated bank account. The corresponding balance of £120.0 million (2013: £nil) held in this bank account is included within cash and cash equivalents. The amounts drawn down can only be used for the purpose of meeting the securitisation's debt service obligations should there ever be insufficient funds available from operations to meet such payments. As such these amounts are considered to be restricted cash.

Included within cash at bank and in hand is an amount of £1.4 million (2013: £2.6 million) relating to a letter of credit with Royal Sun Alliance Insurance, an amount of £1.0 million (2013: £0.5 million) relating to a letter of credit with Aviva, and an amount of £8.2 million (2013: £8.5 million) relating to collateral held in the form of cash deposits. These amounts are also considered to be restricted cash.

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

Net debt does not include other financial liabilities such as trade and other payables.

30 Net debt continued

Reconciliation of net cash flow to movement in net debt	2014 £m	2013 £m
Increase in cash and cash equivalents in the period	**79.2**	33.3
Cash inflow from movement in debt	**(90.4)**	(87.6)
Change in debt resulting from cash flows	**(11.2)**	(54.3)
Non-cash movements and deferred issue costs	**4.0**	(15.6)
Movement in net debt in the period	**(7.2)**	(69.9)
Net debt at beginning of the period	**(1,191.0)**	(1,121.1)
Net debt at end of the period	**(1,198.2)**	(1,191.0)

Reconciliation of net debt before lease financing to net debt	2014 £m	2013 £m
Cash and cash equivalents	**173.3**	94.1
Unsecured bank borrowings	**(208.7)**	(188.8)
Securitised debt	**(884.6)**	(987.6)
Other borrowings	**(120.0)**	–
Preference shares	**(0.1)**	(0.1)
Net debt before lease financing	**(1,040.1)**	(1,082.4)
Finance leases	**(20.8)**	(20.9)
Other lease related borrowings	**(137.3)**	(87.7)
Net debt	**(1,198.2)**	(1,191.0)

31 Operating leases

The Group as lessee

The Group leases various properties and equipment under non-cancellable operating leases. The leases have various terms, escalation clauses and renewal rights. Future minimum lease rentals payable under non-cancellable operating leases are as follows:

	2014		2013	
Due:	**Land and buildings £m**	**Other £m**	Land and buildings £m	Other £m
Within one year	**25.0**	**0.4**	11.5	0.4
In more than one year but less than five years	**73.2**	**0.4**	43.4	0.3
In more than five years	**189.3**	**–**	156.1	–
	287.5	**0.8**	211.0	0.7

The Group as lessor

The Group leases a proportion of its licensed estate and other non-licensed properties to tenants. The majority of lease agreements have terms of between 3 and 21 years and are classified as operating leases. Future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2014		2013	
Due:	**Land and buildings £m**	**Other £m**	Land and buildings £m	Other £m
Within one year	**24.5**	**–**	27.3	–
In more than one year but less than five years	**74.2**	**–**	79.5	–
In more than five years	**107.1**	**–**	132.1	–
	205.8	**–**	238.9	–

32 Finance leases

The Group leases various properties under finance leases. The leases have various terms, escalation clauses and renewal rights. Future minimum lease payments under finance leases are as follows:

Due:	2014 £m	2013 £m
Within one year	**1.2**	1.2
In more than one year but less than five years	**4.9**	4.9
In more than five years	**40.2**	41.4
	46.3	47.5
Future finance charges	**(25.5)**	(26.6)
Present value of finance lease obligations	**20.8**	20.9

The present value of finance lease obligations is as follows:

Due:	2014 £m	2013 £m
Within one year	**0.1**	0.1
In more than one year but less than five years	**0.5**	0.5
In more than five years	**20.2**	20.3
Present value of finance lease obligations	**20.8**	20.9

33 Principal subsidiary undertakings

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

34 Contingent liabilities and financial commitments

On 9 August 2005 the Group entered into a Tax Deed of Covenant, which was amended on 22 November 2007, the primary objective of which was to ensure that the Group did not trigger a de-grouping liability comprising Capital Gains Tax (CGT) and Stamp Duty Land Tax (SDLT). This would arise in the event of Marston's Pubs Limited being sold outside the Group, within six years of the relevant asset transfer date for CGT purposes, and within three years of the relevant asset transfer date for SDLT purposes. Due to the passage of time and changes in the statutory rate of corporation tax, the total potential de-grouping liability now stands at £8.4 million (2013: £8.4 million), of which £7.9 million (2013: £7.8 million) relates to CGT and £0.5 million (2013: £0.6 million) relates to SDLT.

The Group has issued a letter of credit in favour of Royal Sun Alliance Insurance totalling £1.4 million (2013: £2.6 million) and a letter of credit in favour of Aviva totalling £1.0 million (2013: £0.5 million) to secure reinsurance contracts. The letters of credit are secured on fixed deposits for the same amount.

The Group has also entered into a Deed of Guarantee with the Trustees of the Marston's PLC Pension and Life Assurance Scheme ('the Scheme') whereby it guarantees to the Trustees the ongoing obligations of the Group to contribute to the Scheme, and the obligations of the Group to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either a Group company entering liquidation or the Scheme winding up.

35 Change in accounting policy

Adoption of IAS 19 'Employee Benefits' (revised 2011)

The Group has retrospectively adopted IAS 19 'Employee Benefits' (revised 2011) in the current period. The revised standard requires the Group to recognise a single net interest component in respect of its defined benefit pension plan, calculated by applying the discount rate to the net defined benefit asset/liability. In addition to this, the interest on the service cost is now required to be included as part of the service cost itself rather than forming part of the interest cost.

The impact of the retrospective application of this new standard on the Group income statement, Group statement of comprehensive income, Group cash flow statement and earnings per share for the 53 weeks ended 5 October 2013 is set out below. There was no impact on the Group balance sheet.

Impact on the Group income statement	As originally stated £m	Adjustment £m	Restated amount £m
Revenue	782.9	–	782.9
Operating expenses	(636.2)	(0.1)	(636.3)
Operating profit	146.7	(0.1)	146.6
Finance costs	(82.8)	(1.5)	(84.3)
Finance income	2.4	(0.7)	1.7
Movement in fair value of interest rate swaps	3.5	–	3.5
Net finance costs	(76.9)	(2.2)	(79.1)
Profit before taxation	69.8	(2.3)	67.5
Taxation	(11.2)	0.6	(10.6)
Profit for the period attributable to equity shareholders	58.6	(1.7)	56.9

Impact on the Group statement of comprehensive income	As originally stated £m	Adjustment £m	Restated amount £m
Profit for the period	58.6	(1.7)	56.9
Items of other comprehensive income that may subsequently be reclassified to profit or loss			
Gains arising on cash flow hedges	24.9	–	24.9
Transfers to the income statement on cash flow hedges	24.7	–	24.7
Tax on items that may subsequently be reclassified to profit or loss	(15.0)	–	(15.0)
	34.6	–	34.6
Items of other comprehensive income that will not be reclassified to profit or loss			
Remeasurement of retirement benefits	3.6	2.3	5.9
Unrealised surplus on revaluation of properties	2.1	–	2.1
Tax on items that will not be reclassified to profit or loss	14.7	(0.6)	14.1
	20.4	1.7	22.1
Other comprehensive income for the period	55.0	1.7	56.7
Total comprehensive income for the period	113.6	–	113.6

Impact on the Group cash flow statement	As originally stated £m	Adjustment £m	Restated amount £m
Operating activities			
Underlying operating profit	168.3	(0.1)	168.2
Depreciation and amortisation	35.8	–	35.8
Underlying EBITDA	204.1	(0.1)	204.0
Non-underlying operating items	(20.3)	–	(20.3)
EBITDA	183.8	(0.1)	183.7
Working capital movement	11.2	–	11.2
Non-cash movements	2.4	–	2.4
Decrease in provisions and other non-current liabilities	(4.7)	–	(4.7)
Difference between defined benefit pension contributions paid and amounts charged	(15.2)	0.1	(15.1)
Income tax paid	(8.1)	–	(8.1)
Net cash inflow from operating activities	169.4	–	169.4

Impact on earnings per share	As originally stated p	Adjustment p	Restated amount p
Basic earnings per share	10.3	(0.3)	10.0
Basic underlying earnings per share	12.3	(0.3)	12.0
Diluted earnings per share	10.2	(0.3)	9.9
Diluted underlying earnings per share	12.2	(0.3)	11.9

Independent Auditors' Report to the members of Marston's PLC

Report on the Parent Company financial statements

Our opinion

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

- give a true and fair view of the state of the Parent Company's affairs as at 4 October 2014;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the Company balance sheet as at 4 October 2014; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Other required reporting

Consistency of other information

Companies Act 2006 opinion

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

ISAs (UK & Ireland) reporting

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

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

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 47, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

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

Other matter

We have reported separately on the Group financial statements of Marston's PLC for the 52 week period ended 4 October 2014.

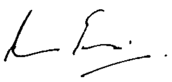
Mark Smith (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

27 November 2014

Company Balance Sheet
As at 4 October 2014

	Note	**4 October 2014 £m**	5 October 2013 £m
Fixed assets			
Tangible assets	3	**307.3**	314.5
Investments	4	**260.9**	260.9
		568.2	575.4
Current assets			
Assets held for sale	5	**13.5**	5.7
Debtors			
Amounts falling due within one year	6	**543.4**	787.5
Amounts falling due after more than one year	6	**685.6**	629.1
Cash at bank		**18.7**	28.3
		1,261.2	1,450.6
Creditors Amounts falling due within one year	7	**(734.3)**	(971.5)
Net current assets		**526.9**	479.1
Total assets less current liabilities		**1,095.1**	1,054.5
Creditors Amounts falling due after more than one year	7	**(127.7)**	(126.7)
Provisions for liabilities and charges	8	**(12.0)**	(8.4)
Net assets		**955.4**	919.4
Capital and reserves			
Equity share capital	11	**44.4**	44.4
Share premium account	12	**334.0**	333.8
Revaluation reserve	12	**59.8**	52.8
Capital redemption reserve	12	**6.8**	6.8
Own shares	12	**(126.8)**	(130.9)
Profit and loss account	12	**637.2**	612.5
Total shareholders' funds	13	**955.4**	919.4

The financial statements on pages 92 to 98 were approved by the Board on 27 November 2014 and signed on its behalf by:



Ralph Findlay
Chief Executive Officer
27 November 2014

Notes
For the 52 weeks ended 4 October 2014

1 Accounting policies

Basis of preparation
The Company financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain freehold and leasehold properties and derivative financial instruments, and in accordance with the Companies Act 2006 and applicable UK accounting standards.

As permitted by section 408(3) of the Companies Act 2006, no profit and loss account has been presented for the Company. As permitted by section 408(2) of the Companies Act 2006, information about the Company's employee numbers and costs has not been presented.

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

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date that give rise to an obligation to pay more or less tax in the future. Timing differences are differences between the Company's taxable profits and profits as stated in the financial statements. Deferred tax assets and liabilities are not discounted and assets are only recognised where recoverability is probable.

Deferred tax has been calculated at the tax rates expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Fixed assets
- Freehold and leasehold properties are stated at valuation or at cost. Fixtures, fittings, plant and equipment are stated at cost.
- Depreciation is charged to the profit and loss account on a straight-line basis to provide for the cost of the assets less residual value over their useful lives.
- Freehold and long leasehold buildings are depreciated to residual value over 50 years.
- Short leasehold properties are depreciated over the life of the lease.
- Fixtures, fittings, plant and equipment are depreciated over periods ranging from 3 to 15 years.
- Own labour and interest costs directly attributable to capital projects are capitalised.
- Land is not depreciated.

Properties are revalued by qualified valuers at least once in each rolling three year period, on an existing use basis. Substantially all of the Company's properties have been externally valued in accordance with the Royal Institution of Chartered Surveyors' Red Book. These valuations are performed directly by reference to observable prices in an active market or recent market transactions on arm's length terms. Internal valuations are performed on the same basis.

When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the profit and loss account. Surpluses on revaluation are recognised in the revaluation reserve, except to the extent they reverse previously charged impairment losses, in which case the reversal is recorded in the profit and loss account.

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

Disposals of fixed assets
Profit/loss on disposal of fixed assets represents net sale proceeds less carrying value of the assets. Any element of the revaluation reserve relating to the fixed assets disposed of is transferred to the profit and loss reserve at the date of sale.

Leases
Rental costs under operating leases are charged to the profit and loss account over the term of the lease. The cost of assets held under finance leases is included within tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under those leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account as incurred.

Lease premiums received are recognised on a straight-line basis over the life of the lease.

Obligations arising from sale and leaseback arrangements with repurchase options that do not fall within the scope of SSAP 21 'Accounting for leases and hire purchase contracts' are classified as other lease related borrowings and accounted for in accordance with FRS 26 'Financial Instruments: Recognition and Measurement'.

Investments in subsidiaries
Investments in subsidiaries are stated at cost, less any provision for diminution in value.

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

Notes continued
For the 52 weeks ended 4 October 2014

1 Accounting policies continued

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

Preference shares
Preference shares are treated as borrowings, and dividends payable on those preference shares are charged as interest in the profit and loss account.

Group undertakings
There is an intra group funding agreement in place between the Company and certain other members of the Marston's Group. This agreement stipulates that all balances outstanding on any intercompany loan account between these companies which exceed £1 are interest bearing at a prescribed rate.

In the current and prior period it was agreed that no interest would be charged on any balances due to/from certain Group companies during the period of their restructuring.

There is a 12.5% subordinated loan due to the Company from Marston's Pubs Limited. No interest is payable on any other amounts owed by/to Group companies who are not party to the intra group funding agreement.

All amounts owed by/to Group undertakings are unsecured and, with the exception of the subordinated loan, repayable on demand.

Derivative financial instruments
The Company uses derivative financial instruments to hedge the Group's exposure to fluctuations in interest rates. Derivative financial instruments are initially recognised in the balance sheet at fair value and are subsequently remeasured to their fair value at each balance sheet date. The Company has not designated any derivative financial instruments as hedging instruments and as such any gains or losses on remeasurement are recognised in the profit and loss account immediately.

2 Auditors' remuneration

Fees payable to the Company's Auditors for the audit of the Company's annual accounts are disclosed in note 3 to the Group financial statements. Fees paid to the Company's Auditors for non-audit services to the Company itself are not required to be disclosed as the Group financial statements disclose such fees on a consolidated basis.

3 Tangible fixed assets

	Land and buildings £m	Fixtures, fittings, plant and equipment £m	Total £m
Cost or valuation			
At 6 October 2013	300.2	22.2	322.4
Additions	7.1	3.3	10.4
Net transfers to assets held for sale and disposals	(101.8)	(6.5)	(108.3)
Revaluation	10.4	–	10.4
Net transfers from Group undertakings	77.0	6.4	83.4
At 4 October 2014	**292.9**	**25.4**	**318.3**
Depreciation			
At 6 October 2013	1.1	6.8	7.9
Charge for the period	1.2	2.1	3.3
Net transfers to assets held for sale and disposals	–	(0.1)	(0.1)
Revaluation	(0.1)	–	(0.1)
At 4 October 2014	**2.2**	**8.8**	**11.0**
Net book value at 5 October 2013	299.1	15.4	314.5
Net book value at 4 October 2014	**290.7**	**16.6**	**307.3**

3 Tangible fixed assets continued

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

	2014 £m	2013 £m
Freehold properties	**202.0**	207.3
Leasehold properties over 50 years unexpired	**75.2**	78.1
Leasehold properties under 50 years unexpired	**13.5**	13.7
	290.7	299.1

Cost or valuation of land and buildings comprises:

	2014 £m	2013 £m
Valuation	**254.5**	264.1
At cost	**38.4**	36.1
	292.9	300.2

If the land and buildings had not been revalued, the historical cost net book value would be £242.8 million (2013: £246.5 million).

Cost at 4 October 2014 includes £2.5 million (2013: £6.3 million) of assets in the course of construction.

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £0.5 million (2013: £0.5 million).

The net book value of land and buildings held under finance leases at 4 October 2014 was £21.8 million (2013: £21.4 million). The net book value of land and buildings held as part of sale and leaseback arrangements that do not fall within the scope of SSAP 21 'Accounting for leases and hire purchase contracts' was £113.9 million (2013: £112.0 million).

Revaluation/impairment

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

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

	2014 £m	2013 £m
Profit and loss account:		
Revaluation loss charged as an impairment	**(0.9)**	–
Reversal of past impairments	**–**	1.6
	(0.9)	1.6
Revaluation reserve:		
Unrealised revaluation surplus	**11.7**	1.0
Reversal of past revaluation surplus	**(0.3)**	–
	11.4	1.0
Net increase in shareholders' funds/fixed assets	**10.5**	2.6

4 Fixed asset investments

	Subsidiary undertakings £m
Cost	
At 6 October 2013 and 4 October 2014	**312.0**
Impairments	
At 6 October 2013 and 4 October 2014	**51.1**
Net book value at 5 October 2013	260.9
Net book value at 4 October 2014	**260.9**

Notes continued
For the 52 weeks ended 4 October 2014

4 Fixed asset investments continued

The principal subsidiary undertakings are:

	Country of incorporation	Nature of business	% held	Class of share
Marston's Trading Limited	England	Pub retailer and brewer	100	Ordinary £5 shares
Marston's Property Developments Limited	England	Property developer	100	Ordinary £1 shares
Marston's Pubs Limited	England	Pub retailer	100	Ordinary £1 shares
Marston's Estates Limited	England	Property management	100	Ordinary 25p shares
Marston's Operating Limited	England	Pub retailer and brewer	100	Ordinary £1 shares
Banks's Brewery Insurance Limited	Guernsey	Insurance	100	Ordinary £1 shares

Details of the principal operating subsidiaries by type of business are set out above. All of these are held directly by Marston's PLC with the exception of Marston's Operating Limited, which is a wholly-owned subsidiary of Marston's Estates Limited, and Marston's Pubs Limited, which is a wholly-owned subsidiary of Marston's Pubs Parent Limited, an intermediate holding company. A complete list of subsidiary undertakings is available at the Group's registered office and will be filed with the next Annual Return. All subsidiaries have been included in the consolidated financial statements.

The Group financial statements also include the consolidation of Marston's Issuer PLC, which the Directors consider to be a special purpose entity. The ultimate parent undertaking of Marston's Issuer PLC is Wilmington Trust SP Services (London) Limited, which holds the shares of the company's parent company under a charitable trust. Marston's Issuer PLC was set up with the sole purpose of issuing debt secured on the assets of Marston's Pubs Limited.

5 Assets held for sale

	2014 £m	2013 £m
Properties	**13.5**	5.7

During the current and prior period, all properties classed as held for sale were reviewed for impairment. This review identified an impairment of £1.3 million (2013: £nil) which has been taken to the profit and loss account.

6 Debtors

Amounts falling due within one year	2014 £m	2013 £m
Amounts owed by Group undertakings	**522.2**	733.7
Interest owed by Group undertakings	**–**	30.2
Derivative financial instruments	**19.5**	22.6
Prepayments and accrued income	**–**	0.1
Other debtors	**1.7**	0.9
	543.4	787.5

Amounts falling due after more than one year	2014 £m	2013 £m
12.5% subordinated loan owed by Group undertakings	**685.6**	629.1

7 Creditors

Amounts falling due within one year	2014 £m	2013 £m
Amounts owed to Group undertakings	**686.0**	876.2
Interest owed to Group undertakings	**–**	43.7
Finance leases	**0.1**	0.1
Other lease related borrowings	**(0.1)**	–
Corporation tax	**25.0**	17.0
Accruals and deferred income	**2.6**	1.6
Derivative financial instruments	**19.5**	22.6
Other creditors	**1.2**	10.3
	734.3	971.5

Other creditors include £nil (2013: £10.3 million) payable in respect of a supplier credit arrangement.

7 Creditors continued

Amounts falling due after more than one year	2014 £m	2013 £m
Finance leases	**20.7**	20.8
Other lease related borrowings	**87.7**	87.7
Preference shares	**0.1**	0.1
Accruals and deferred income	**16.8**	18.1
Other creditors	**2.4**	–
	127.7	126.7

The preference shares carry a right to a fixed preferential dividend. They participate in the event of a winding-up and carry the right to attend and vote at general meetings of the Company.

Liabilities disclosed under creditors falling due after more than one year which are due for repayment after more than five years from the balance sheet date total £108.2 million (2013: £108.3 million).

8 Provisions for liabilities and charges

	Deferred tax £m	Property leases £m	Total £m
At 6 October 2013	5.7	2.7	8.4
Provided in the period	–	4.4	4.4
Unwinding of discount	–	0.1	0.1
Utilised in the period	–	(0.7)	(0.7)
Credited to the profit and loss account	(0.2)	–	(0.2)
At 4 October 2014	**5.5**	**6.5**	**12.0**

When valuations of leasehold properties (based on future estimated discounted income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as liabilities in provisions. Payments are expected to continue on these properties for periods of 1 to 30 years (2013: 1 to 31 years).

Deferred tax

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

	2014 £m	2013 £m
Excess of capital allowances over accumulated depreciation	**5.5**	5.7

9 Operating lease commitments

At 4 October 2014 the Company had annual commitments under non-cancellable operating leases as follows:

	2014		2013	
Leases which expire:	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Within one year	–	–	0.1	–
Later than one year and less than five years	**13.0**	–	0.5	–
After five years	**4.1**	–	4.2	–
	17.1	–	4.8	–

10 Finance lease obligations

Obligations under finance leases are as follows:

Due:	2014 £m	2013 £m
Within one year	**1.2**	1.2
Later than one year and less than five years	**4.9**	4.9
After five years	**40.2**	41.4
	46.3	47.5
Future finance charges	**(25.5)**	(26.6)
Present value of finance lease obligations	**20.8**	20.9

11 Share capital

Allotted, called up and fully paid	2014 Number m	2014 Value £m	2013 Number m	2013 Value £m
Ordinary shares of 7.375p each:				
At beginning of the period	**602.6**	**44.4**	601.1	44.3
Allotted under share option schemes	**0.2**	**–**	1.5	0.1
At end of the period	**602.8**	**44.4**	602.6	44.4

Further information on share capital is provided in note 27 to the Group financial statements.

12 Reserves

	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Own shares £m	Profit and loss account £m	Total £m
At 6 October 2013	333.8	52.8	6.8	(130.9)	612.5	875.0
Issue of shares	0.2	–	–	–	–	0.2
Sale of own shares	–	–	–	4.1	(3.6)	0.5
Property revaluation	–	11.7	–	–	–	11.7
Property impairment	–	(0.3)	–	–	–	(0.3)
Disposal of properties	–	(4.1)	–	–	4.1	–
Transfer to profit and loss account	–	(0.3)	–	–	0.3	–
Profit for the financial period	–	–	–	–	61.0	61.0
Dividends paid	–	–	–	–	(37.1)	(37.1)
At 4 October 2014	**334.0**	**59.8**	**6.8**	**(126.8)**	**637.2**	**911.0**

The capital redemption reserve arose on share buybacks.

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

13 Reconciliation of movement in shareholders' funds

	2014 £m	2013 £m
Profit for the financial period	**61.0**	62.4
Dividends paid	**(37.1)**	(35.3)
Issue of shares	**0.2**	1.1
Sale of own shares	**0.5**	–
Revaluation of properties	**11.4**	1.0
Net addition to shareholders' funds	**36.0**	29.2
Opening shareholders' funds	**919.4**	890.2
Closing shareholders' funds	**955.4**	919.4

14 Contingent liabilities

The Company has entered into a Deed of Guarantee with Marston's Trading Limited ('Trading') and the Trustees of the Marston's PLC Pension and Life Assurance Scheme ('the Scheme') whereby it guarantees to the Trustees the ongoing obligations of Trading to contribute to the Scheme and the obligations of Trading to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either Trading entering liquidation or the Scheme winding up.

Information for Shareholders

Annual General Meeting
The Company's AGM will be held on 27 January 2015 at 12 noon at Wolverhampton Racecourse, Holiday Inn Garden Court, Dunstall Park, Wolverhampton, WV6 0PE.

Financial calendar

Ex-dividend date for final dividend	18 December 2014
Record date for final dividend	19 December 2014
AGM and Interim Management Statement	27 January 2015
Final dividend payment date	2 February 2015
Half-year results	May 2015
Ex-dividend date for interim dividend	May 2015
Interim dividend payment date	July 2015

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

The Marston's PLC website
Shareholders are encouraged to visit our website **www.marstons.co.uk** for further information about the Company. The dedicated Investors section on the website contains information specifically for shareholders including share price information, historical dividend amounts and payment dates together with this year's (and prior years') Annual Report and Accounts.

Registrars
The Company's shareholder register is maintained by our Registrar Equiniti. If you have any queries relating to your Marston's PLC shareholding you should contact Equiniti directly by one of the methods below:

Online: **www.shareview.co.uk** – from here you will be able to securely email Equiniti with your query.
Telephone: 0871 384 2274*
Text phone: 0871 384 2255*
By post: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

Dividend payments
By completing a bank mandate form dividends can be paid directly into your bank or building society account. Those selecting this payment method will benefit from receiving cleared funds in their bank account on the payment date, avoiding postal delays and removing the risk of any cheques being lost in the post. To change how you receive your dividends contact Equiniti or visit **www.shareview.co.uk**

Duplicate documents
If you have received two or more sets of the documents concerning the AGM this means that there is more than one account in your name on the shareholder register, perhaps because either your name or your address appear on each account in a slightly different way. If you think this might be the case and would like to combine your accounts, please contact Equiniti.

Moving house?
It is important that you notify Equiniti of your new address as soon as possible. If you hold 1,500 shares or fewer, and reside in the UK, this can be done quickly over the telephone. However, for holdings greater than 1,500 shares your instruction will need to be in writing, quoting your full name, shareholder reference number (if known), previous address and new address.

Electronic communications
Changes in legislation in recent years allow the Company to use its corporate website as the main way to communicate with shareholders. Annual Report and Accounts are only sent to those shareholders who have opted to receive a paper copy. Registering to receive shareholder documentation from the Company electronically will allow shareholders to:

- view the Annual Report and Accounts on the day it is published;
- receive an email alert when the Annual Report and Accounts and any other shareholder documents are available;
- cast their AGM votes electronically; and
- manage their shareholding quickly and securely online, through www.shareview.co.uk

This reduces our impact on the environment, minimises waste and reduces printing and mailing costs. For further information and to register for electronic shareholder communications visit **www.shareview.co.uk**

Buying and selling shares in the UK
If you wish to buy or sell Marston's PLC shares and hold a share certificate, you can:

- use the services of a stockbroker or high street bank; or
- use a telephone or online service.

If you sell your shares in this way you will need to present your share certificate at the time of sale. Details of low cost dealing services may be obtained from **www.shareview.co.uk** or 0845 603 7037**.

Information for Shareholders continued

Share fraud warning
Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating 'boiler rooms' that are mostly based abroad. While high profits are promised, those who buy or sell shares in this way usually lose their money. The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200 million lost in the UK each year.

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- Get the name of the person and organisation contacting you.
- Check the Financial Services Register at **www.fca.org.uk/register** to ensure they are authorised.
- Use the details on the FCA Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Search the FCA list of unauthorised firms and individuals to avoid doing business with.
- Remember, if it sounds too good to be true, it probably is.

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme if things go wrong.

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at **www.fca.org.uk**, where you will find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

* Calls cost 8 pence per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday.
**Lines are open Monday to Friday, 8:00am to 4.30pm for dealing and until 6:00pm for enquiries.

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

Glossary

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

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

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

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

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

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

Drinkaware An independent charity which promotes drinking responsibly and aims to tackle alcohol misuse

EBIT Earnings before interest and tax

EBITDA Earnings before interest and tax, depreciation and amortisation

EPOS Electronic point of sale – software system for retail business

Export Anything sold outside of the UK

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

FIT Fairness, Integrity, Transparency – Marston's internal code of behaviour

F-Plan: Food, Families, Females, Forty/Fifty somethings

FRC Financial Reporting Council – independent regulator

Free trade Independently owned pubs and clubs

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

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

NED Non-executive Director

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

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

PBT Profit before tax

Responsibility Deal Government initiative directed at business sectors to encourage healthy lifestyles, encouraging healthy living by their employees and customers

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

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

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

WRAP Food and Hospitality Agreement – Government agency for promoting waste reduction and recycling

Picture Reference

Front cover: The Pine Marten, Dunbar
The Bell, Tong, Shifnal
The Fallow Field, Telford
Page 8: The Lost Coins, Haverfordwest
The Woolpack, Weston, Staffordshire
The Red Lion, Evenley, Northants

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

Designed and produced by Emperor
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Marston's PLC

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