Company Registration No. 05453370 (England and Wales)

MARSTON'S PUBS PARENT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2023

MARSTON'S PUBS PARENT LIMITED

COMPANY INFORMATION

Directors	Edward Hancock Robert Leach Hayleigh Lupino
Secretary	Bethan Raybould
Company number	05453370
Registered office	St Johns House St Johns Square Wolverhampton WV2 4BH

MARSTON'S PUBS PARENT LIMITED

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MARSTON'S PUBS PARENT LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2023

The Directors present the strategic report for the period ended 30 September 2023.

Business review

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

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

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

During the current period the Group's turnover was £421.9m (2022: £384.1m) and the operating profit was £51.2m (2022: £66.0m). The cost-of-living crisis and inflationary pressures has led to lower profit and operating cashflows than would otherwise have resulted had these macroeconomic conditions not existed. The loss before tax was £200.4m (2022: £55.6m) again reflecting the impact of the cost-of-living crisis and inflationary pressures.

There are no significant changes expected in the nature of the Group's business.

The Marston's Group's key performance indicators for the period ended 30 September 2023 are commented on in detail in the Strategic Report of Marston’s PLC. Those that specifically relate to the Group are as follows:

- Total revenue
- Net debt (excluding lease liabilities)
- Free Cash Flow
- % of pubs with >800 Reputation score
- % of pubs with 5* EHO score
- Your Voice engagement score >8
- Spend per head v LY %

Principal risks and uncertainties

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

Economic and political

The UK, as well as many countries, is at risk of a recession, exacerbated by high energy costs and global demand for commodities, which could be in short supply. A recession could increase unemployment and further lower consumer confidence. There is a risk that inflation remains high, and interest rates continue to increase and remain high for a long time.

Market and operational / guest sentiment

As economic factors make it more expensive to go to the pub, guests become more sensitive to experience not meeting expectation. Consistently maintaining high standards becomes more critical to ensuring our guests return. Failure to attract, train and retain the best people can impact our pubs’ performance. Recruitment remains competitive within a tight labour market and wage inflation. Disruption to key suppliers, particularly those closely involved with our day-today activities, or a shortage of commodities could significantly impact our operations. There is an increased risk that our own prices become uncompetitive, thereby restricting the opportunity to pass on future cost increases. These factors could mean that our pubs fail to attract guests due to poor service or quality, or do not keep up with changing preferences.

Liquidity

As consumers reduce spend in response to higher prices, it is uncertain how this might impact our pubs. In similar circumstances in the past, pubs have remained attractive and affordable however, this might not always be the case.

Financial covenants and accounting controls

A breach of the covenants with our lenders could occur due to incorrect reporting of financial results. Unauthorised transactions could be a major risk along with accounting controls either failing or being overridden.

ESG

Without a clear strategy on ESG the Company could find in future that it’s forced to make changes to comply with stakeholder expectation or government legislation. The reputation of the Company could be damaged if its stance on ESG is not clearly communicated, or if it couldn’t demonstrate what actions had been taken or targets set. The perception of the Company could be tainted for guests, employees, lenders and investors without a clearly communicated position on ESG issues, backed up by actions and progress against targets. During our transition to Net Zero, higher energy prices might make it more difficult to source renewable energy at a commercial price. This increases the risk that the transition is delayed or becomes more costly.

Health & safety, food safety

Breaches of health and safety regulations could attract media attention and potentially high penalties. Public concern over allergens remains high. There is a risk that information is collected incorrectly from our suppliers and/ or misinterpreted for our menu items. There is the risk that a team member mis-advises a guest or serves the wrong meal. Increased regulation could increase the complexity of the information to be provided to the public and thereby increase our cost of compliance.

Information technology

Threats to IT are both external and internal and could result in a network outage, denial of service or loss, theft or corruption of data. The risk extends to the companies that we share data with for processing or storage on our behalf.

Pandemic

Future restrictions on trade, as a result of regulations imposed to reduce infection rates, and public confidence in mixing socially in public places.

Section 172(1) statement

Under Section 172(1) of the Companies Act 2006 (‘Section 172(1)’), the Directors are required to act in a way that the consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, while also considering the likely consequences of any decisions over the long term and the needs and interests of a broad range of stakeholders.

The Company is a subsidiary of Marston’s PLC and, therefore, key decisions which affect the Group, this Company and stakeholders are principally made by the Board of the ultimate parent undertaking and controlling party, Marston’s PLC.

We describe below how we have engaged with, and considered the interests and views of, our key stakeholders. The principles underpinning stakeholder engagement and promoting the success of the Company as set out in Section 172(1) are not only board-level considerations, but they are also embedded in our business. Our main stakeholder groups are set out below, with an explanation of why they are key to our business and how the Directors engage with them. We use different methods of engagement to listen to, and help us to better understand, the priorities and needs of each stakeholder group.

Further details of how the Board of Marston’s PLC have had regard to Sections 172(1) in the current reporting period can be found in the Annual Report and Accounts of Marston’s PLC, key elements of which include:

People

People make pubs, and our business is built on the strength of our people. They rely on us to provide a safe place to work and development opportunities to realise their potential.

Due to the regular contact they have with other stakeholder groups, such as our guests and suppliers, our people often have first-hand knowledge of how we are performing and how we are perceived. The Board therefore recognises that harnessing employee engagement could help refine their thinking, define strategy and culture, and deliver long-term sustainable success. In return, our people get a real sense of purpose from meeting with our Board and senior management.

Guests

Our guests are the reason we exist. It is essential that we have systems in place which enable us to receive and react at pace to their changing needs and preferences.

Being guest obsessed is one of our main priorities and we engage with our guests to ensure our formats, offers and range of food and drink remain relevant to them.

Pub Partners and tenants

Our Pub Partners rely on us to provide competitive operating agreements and training and support to enable them to run their own businesses. We rely on them to play their part in operating Pubs to be proud of.

Whilst our Pub Partners are not directly employed by us, they are an important stakeholder group and a huge part of the people that power our pubs. Like out employees, they also have regular touch points with other stakeholder groups, such as our guests and employees, and a two-way dialogue is important to harness this for combined benefit.

Communities and the environment

The communities in which we operate, and the wider public, expect us to act in a responsible manner and minimise any adverse impact on the environment.

Suppliers
We rely on our suppliers to produce quality products and to provide essential services to operate our business. They rely on us to operate responsibly and generate revenue.

Investors
Our shareholders, bondholders and banking group provide essential sources of capital to support out business objectives. In turn. They expect us to manage their investment in our Company responsibly.

Engagement with our shareholders and investor community is essential to ensure that we attract and retain long-term investors, who are supportive of our strategy. We strive to ensure that we provide fair, balanced and understandable information to ensure that all our investors understand our strategy and vision and have clarity over our financial and non-financial performance.

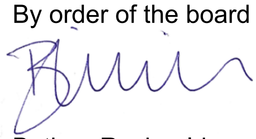
Regulators and industry bodies
We strive for high standards of business ethics and corporate governance and working with those that govern and regulate us helps us to achieve this.

The Company is subject to a wide range of laws and regulations, and we seek to co-operate and engage constructively with all regulatory authorities.

The Board of Marston's PLC is mindful that sometimes decisions must be made whilst weighing up different, and often competing, priorities. A key matter considered by the Board during the year was the impact of rising energy prices and cost inflation, particularly on food and other consumables. The Board considered what effect this could have on our investors, Pub Partners and suppliers if these macroeconomic challenges led to a decrease in consumer demand and the impact that the mitigating actions taken by the Board could have on the business's guests, Pub Partners and employees. Those decisions were monitored closely using the well-established stakeholder mechanisms including those for employee, guest and Pub Partner feedback.

There were also similar considerations made by the Board in relation to the simplification of the business and its trading formats. The Board considered the impact of this decision on the Company's investors particularly in relation to long-term value creation, whilst balancing and being mindful of the impact on employees and how the decision could be implemented in a way that was a fair and equitable as possible.

By order of the board



Bethan Raybould
Secretary
14 December 2023

The Directors present their report and the financial statements of the Company and the Group for the period ended 30 September 2023.

The financial statements of the Company and the Group cover the 52 weeks ended 30 September 2023 (2022: 52 weeks ended 1 October 2022).

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

Andrew Andrea	(Resigned 17 November 2023)
Edward Hancock	
Robert Leach	
Hayleigh Lupino	

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

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

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

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

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

Interest rate risk: The Marston's Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Marston's Group calculates the impact of a defined interest rate shift on its results.

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

Liquidity risk: The Marston's Group applies a prudent liquidity risk management policy, which involves maintaining sufficient cash, ensuring the availability of funding through an adequate amount of committed credit facilities and having the ability to close out market positions.

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

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

Auditor
A formal audit tender process was completed during the period, with RSM UK Audit LLP appointed as auditor to replace KPMG LLP who will resign following completion of the audit for the 52 week period ended 30 September 2023.

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

Energy and carbon report
Marston's PLC, which is the parent undertaking of the largest group to consolidate the financial statements of Marston's Pubs Parent Limited, has included the activities of this Company within its energy and carbon reporting for the 52 weeks ended 30 September 2023.

By order of the board

Bethan Raybould
Secretary
14 December 2023

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MARSTON'S PUBS PARENT LIMITED

Opinion

We have audited the financial statements of Marston's Pubs Parent Limited ('the Company') for the period ended 30 September 2023, which comprise the Group and Company balance sheets, Group profit and loss account, Group statement of comprehensive income, Group and Company statements of changes in equity, Group statement of cash flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2023 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the Group's ability to continue as a going concern is dependent on the performance of its ultimate parent company, Marston's PLC. The financial statements of Marston's PLC include a material uncertainty related to going concern as a result of the potential requirement to obtain covenant amendments in the severe but plausible downside scenario. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Going concern basis of preparation

The Directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ('fraud risks') we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Directors as to the Group's and Company’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's and Company’s channel for ‘whistleblowing’, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board minutes.
- Considering remuneration incentive schemes and performance targets; and
- Using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the existence of limited opportunities to make inappropriate accounting entries in relation to revenue.

We did not identify any additional fraud risks.

We performed procedures including identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries made to unusual accounts related to revenue, cash and loans and borrowings and those posted by privileged users.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group and Company are subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group and Company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: the Pubs Code, health and safety, GDPR compliance, anti-bribery, employment law, Payment Card Industry compliance, money laundering, environmental protection, consumer rights, misrepresentation, and certain aspects of company legislation recognising the nature of the Company’s activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and Directors' report

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

Our responsibility is to read the strategic report and the Directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the Directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the Directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MARSTON'S PUBS PARENT LIMITED

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members, as a body, for our audit work, for this report, or for the opinions we have formed.

John Leech (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

14 December 2023

MARSTON'S PUBS PARENT LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Notes	Period ended 30 September 2023 £m	Period ended 1 October 2022 £m
Turnover	**3**	421.9	384.1
Net trading expenses	**4**	(351.7)	(322.3)
Exceptional items	**5**	(19.0)	4.2
Operating profit	**6**	51.2	66.0
Interest receivable and similar income	**9**	0.2	0.3
Interest payable and similar charges	**10**	(232.2)	(211.5)
Other gains and losses	**11**	(19.6)	89.6
Loss before taxation		(200.4)	(55.6)
Taxation	**12**	43.0	2.7
Loss for the financial period		(157.4)	(52.9)

The results for the current period reflect the 52 weeks ended 30 September 2023 and the results for the prior period reflect the 52 weeks ended 1 October 2022.

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

MARSTON'S PUBS PARENT LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Period ended 30 September 2023 £m	Period ended 1 October 2022 £m
Loss for the period	(157.4)	(52.9)
Items of other comprehensive income		
Revaluation of tangible fixed assets	15.9	33.6
Cash flow hedges (loss)/gain arising in the period	(3.0)	21.8
Transfers to the profit and loss account on cash flow hedges	10.7	16.1
Tax relating to items of other comprehensive income	(5.4)	(17.4)
Other comprehensive income for the period	18.2	54.1
Total comprehensive (expense)/income for the period	(139.2)	1.2

The results for the current period reflect the 52 weeks ended 30 September 2023 and the results for the prior period reflect the 52 weeks ended 1 October 2022.

Total comprehensive (expense)/income for the period is all attributable to the owners of the Company.

MARSTON'S PUBS PARENT LIMITED

GROUP BALANCE SHEET

AS AT 30 SEPTEMBER 2023

	Notes	30 September 2023 £m	£m	1 October 2022 £m	£m
Fixed assets					
Goodwill	**13**		7.6		15.5
Other intangible assets	**13**		13.7		14.7
Total intangible assets			21.3		30.2
Tangible assets	**14**		1,152.9		1,152.0
			1,174.2		1,182.2
Current assets					
Stocks	**17**	7.6		6.1	
Debtors	**18**	48.4		28.4	
Cash at bank and in hand		20.0		21.0	
		76.0		55.5	
Creditors: amounts falling due within one year	**19**	(94.2)		(111.0)	
Net current liabilities			(18.2)		(55.5)
Total assets less current liabilities			1,156.0		1,126.7
Creditors: amounts falling due after more than one year	**20**		(2,284.8)		(2,117.2)
Provisions for liabilities	**22**		(48.5)		(47.6)
Net liabilities			(1,177.3)		(1,038.1)
Capital and reserves					
Called up share capital	**24**		-		-
Revaluation reserve	**25**		207.3		195.7
Hedging reserve	**26**		(41.1)		(46.8)
Profit and loss reserves			(1,343.5)		(1,187.0)
Total equity			(1,177.3)		(1,038.1)

The financial statements were approved by the board of Directors and authorised for issue on 14 December 2023 and are signed on its behalf by:

H. Lupino

Hayleigh Lupino
Director

MARSTON'S PUBS PARENT LIMITED

COMPANY BALANCE SHEET

AS AT 30 SEPTEMBER 2023

	Notes	30 September 2023 £m	1 October 2022 £m
Fixed assets			
Investments	**15**	-	-
Net assets		-	-
Capital and reserves			
Called up share capital	**24**	-	-
Profit and loss reserves		-	-
Total equity		-	-

The Company's profit for the period was £nil (2022: £nil).

The financial statements were approved by the board of Directors and authorised for issue on 14 December 2023 and are signed on its behalf by:

Hayleigh Lupino
Director

Company Registration No. 05453370

MARSTON'S PUBS PARENT LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Share capital	Revaluation reserve	Hedging reserve	Profit and loss reserves	Total
	£m	£m	£m	£m	£m
Balance at 3 October 2021	-	170.0	(75.2)	(1,134.1)	(1,039.3)
Period ended 1 October 2022:					
Loss for the period	-	-	-	(52.9)	(52.9)
Other comprehensive income:					
Revaluation of tangible fixed assets	-	33.6	-	-	33.6
Cash flow hedges gain arising in the period	-	-	21.8	-	21.8
Transfers to the profit and loss account on cash flow hedges	-	-	16.1	-	16.1
Tax relating to items of other comprehensive income	-	(7.9)	(9.5)	-	(17.4)
Total comprehensive income/(expense) for the period	-	25.7	28.4	(52.9)	1.2
Balance at 1 October 2022	-	195.7	(46.8)	(1,187.0)	(1,038.1)
Period ended 30 September 2023:					
Loss for the period	-	-	-	(157.4)	(157.4)
Other comprehensive income:					
Revaluation of tangible fixed assets	-	15.9	-	-	15.9
Cash flow hedges loss arising in the period	-	-	(3.0)	-	(3.0)
Transfers to the profit and loss account on cash flow hedges	-	-	10.7	-	10.7
Tax relating to items of other comprehensive income	-	(3.4)	(2.0)	-	(5.4)
Total comprehensive income/(expense) for the period	-	12.5	5.7	(157.4)	(139.2)
Transfers	-	(0.9)	-	0.9	-
Balance at 30 September 2023	-	207.3	(41.1)	(1,343.5)	(1,177.3)

MARSTON'S PUBS PARENT LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Share capital	Profit and loss reserves	Total
	£m	£m	£m
Balance at 3 October 2021	-	-	-
Period ended 1 October 2022:			
Profit and total comprehensive income for the period	-	-	-
Balance at 1 October 2022	-	-	-
Period ended 30 September 2023:			
Profit and total comprehensive income for the period	-	-	-
Balance at 30 September 2023	-	-	-

MARSTON'S PUBS PARENT LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Notes	2023 £m	2023 £m	2022 £m	2022 £m
Operating activities					
Cash generated from operations	**31**		75.7		83.2
Interest paid			(38.8)		(42.4)
Income taxes refunded			17.1		26.4
Net cash inflow from operating activities			54.0		67.2
Investing activities					
Purchase of intangible fixed assets		(0.3)		(0.1)	
Proceeds on disposal of intangible fixed assets		0.4		-	
Purchase of tangible fixed assets		(33.7)		(31.5)	
Proceeds on disposal of tangible fixed assets		19.4		2.4	
Interest received		0.5		-	
Net cash outflow from investing activities			(13.7)		(29.2)
Financing activities					
Repayment of borrowings		(41.3)		(42.8)	
Net cash outflow from financing activities			(41.3)		(42.8)
Net decrease in cash and cash equivalents			(1.0)		(4.8)
Cash and cash equivalents at beginning of period			21.0		25.8
Cash and cash equivalents at end of period			20.0		21.0

The cash flows for the current period reflect the 52 weeks ended 30 September 2023 and the cash flows for the prior period reflect the 52 weeks ended 1 October 2022.

1 Accounting policies

Company information

Marston's Pubs Parent Limited is a private company limited by shares incorporated in England and Wales. The registered office is St Johns House, St Johns Square, Wolverhampton, WV2 4BH.

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

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company and the Group. Monetary amounts in these financial statements are rounded to the nearest £0.1m.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of effective freehold land and buildings and the holding of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

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

1.2 Basis of consolidation and business combinations

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

All financial statements are made up to 30 September 2023. All intra-group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation.

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

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

1 Accounting policies **(Continued)**

1.3 Going concern

The group headed by Marston’s Pubs Parent Limited (the ‘Marston’s Pubs Group’) and the Company’s business activities, together with the factors likely to affect its future development and position, are set out in the strategic report.

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

The cost-of-living crisis and inflationary pressures has led to lower profit and operating cashflows than would otherwise have resulted had these macroeconomic conditions not existed.

The Group’s sources of funding include its securitised debt, a £300.0 million bank facility available until January 2025 (of which £229.0 million was drawn at 30 September 2023), a £40.0 million private placement in place until January 2025, and a £5.0 million seasonal overdraft facility which extends to £20.0 million from 25 January to 6 May and 1 July to 12 August each year (of which £nil was drawn at 30 September 2023).

There are two covenants associated with the Group’s securitised debt – free cash flow to debt service coverage ratio (FCF DSCR) and Net Worth. The FCF DSCR is a measure of free cash flow to debt service for the group headed by Marston’s Pubs Parent Limited and is required to be a minimum of 1.1 over both a two-quarter and four-quarter period, and the Net Worth is derived from the net assets of that group of companies.

There are three covenants associated with the Group’s bank and private placement borrowings for the non-securitised group of companies – Debt Cover, Interest Cover and Liquidity. The Debt Cover covenant is a measure of net borrowings to EBITDA which is a maximum of 4.5 times from 30 September 2023, reducing to 4.0 times from 29 June 2024. The Interest Cover covenant is a measure of EBITDA to finance charges, which is a minimum of 1.5 times from 30 September 2023, rising on a stepped basis to 1.75 times from 30 December 2023 and 2.0 times from 29 June 2024. The Liquidity covenant is a measure of headroom on the Group’s bank and private placement borrowings, which is a minimum of £35.0 million on the last day of each fiscal month from 30 September 2023, increasing to £45.0 million from 27 July 2024.

The Directors have performed an assessment of going concern over the period of 12 months from the date of signing these financial statements, to assess the adequacy of the Group’s financial resources. In performing their assessment, the Directors considered the Group’s financial position and exposure to principal risks, including the cost-of-living crisis and inflationary pressure. The Group’s base case forecasts assume moderate sales price increases and operational costs (that have not already been secured) rising broadly in line with inflation. On the Group’s base case forecast, no covenants are forecast to be breached within the next 12 months and the Group has adequate liquidity throughout the going concern period.

The Directors have also considered a severe but plausible downside scenario, incorporating a 5% reduction in sales volume as a consequence of the cost-of-living crisis and current inflationary pressures along with a reasonably plausible increase in costs compared to the base case forecast. The conclusion of this assessment was that the Directors are satisfied that the Group has adequate liquidity to withstand such a severe but plausible downside scenario. However, in this severe but plausible downside scenario only, even after factoring in mitigations under the control of management such as reductions in discretionary spend, the Group would be required to obtain covenant amendments in respect of its Interest Cover covenant associated with the Group’s bank and private placement borrowings in the outer quarters of the going concern period. In such a severe but plausible downside, the Group has a number of options. The Group would be very confident in leveraging the supportive relationship it has with its lenders and renegotiate the terms of its financing in advance of any covenant amendment being required or the Group would seek covenant amendments. Whilst there is no certainty since it requires the agreement of its lenders, based on covenant amendments previously secured, the successful amend and extend to the RCF and private placement during the period and the continued positive relationships, the Directors believe they will be able to secure any such amendments required.

1 Accounting policies **(Continued)**

Considering the above, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing these financial statements. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements. However, a material uncertainty exists as a result of the potential requirement to obtain covenant amendments in the severe but plausible downside scenario, which may cast significant doubt on the Company's and Marston's Pubs Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.4 Turnover

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

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

1.5 Intangible fixed assets - goodwill

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

1.6 Intangible fixed assets other than goodwill

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

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

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

Computer software	5 to 20 years

1.7 Tangible fixed assets

Land and buildings which are either freehold or are in substance freehold assets are classed as effective freehold land and buildings. This includes leasehold land and buildings with a term exceeding 100 years at acquisition/commencement of the lease or where there is an option to purchase the freehold at the end of the lease term for a nominal amount. All other leasehold land and buildings are classed as leasehold land and buildings.

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

1 Accounting policies **(Continued)**

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

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

The Group's effective freehold land and buildings in respect of its pub estate are considered to have a residual value equal to their current valuation and as such no depreciation is charged on these assets.

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

1.8 Fixed asset investments

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

1.9 Impairment of fixed assets

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

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

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

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

1.10 Stocks

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

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

1 Accounting policies **(Continued)**

1.11 Financial instruments

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

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies its financial assets in one of the following two categories: at fair value through profit or loss and at amortised cost. The Group classifies its financial liabilities in one of the following two categories: at fair value through profit or loss and other financial liabilities.

The Group classifies a financial asset as at amortised cost if the asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest.

Financial instruments at fair value through profit or loss

Derivatives are categorised as financial instruments at fair value through profit or loss. The Group holds no other financial instruments at fair value through profit or loss.

Financial assets at amortised cost

Financial assets at amortised cost comprise trade debtors, other debtors and cash and cash equivalents in the balance sheet and are measured using the effective interest method.

Other financial liabilities

Non-derivative financial liabilities are classified as other financial liabilities. The Group’s other financial liabilities comprise borrowings, other creditors and amounts owed to associated undertakings. Other financial liabilities are carried at amortised cost using the effective interest method.

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

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

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to fluctuations in interest rates.

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

1 Accounting policies **(Continued)**

Hedge accounting

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

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

For the purpose of evaluating whether there is an economic relationship between the hedged item and the hedging instrument, the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform. For a cash flow hedge of a forecast transaction and the purpose of assessing whether the forecast transaction is highly probable, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group ceases to apply these specific policies for assessing the economic relationship between the hedged item and the hedging instrument and undertaking its highly probable assessment of the forecast cash flows when the uncertainty arising from interest rate benchmark reform regarding the timing and the amount of the interest rate benchmark based cash flows is no longer present, or when the hedging relationship is discontinued.

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of interest rate benchmark reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the formal designation of that hedging relationship to reflect the changes required by interest rate benchmark reform. For this purpose the hedge designation is amended only to designate an alternative benchmark rate as the hedged risk, to update the description of the hedged item or to update the description of the hedging instrument. Such an amendment to the formal designation of a hedging relationship does not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by interest rate benchmark reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the amount accumulated in the hedging reserve for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

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

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

1 Accounting policies **(Continued)**

Trade debtors and other debtors

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

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

For trade debtors and other debtors that result from transactions that are within the scope of IFRS 15 ‘Revenue from Contracts with Customers’ or from transactions that are within the scope of IFRS 16 ‘Leases’ the loss allowance is measured as the lifetime expected credit losses. For any other trade or other debtors the loss allowance is measured as the 12-month expected credit losses unless the credit risk has increased significantly since initial recognition, in which case the lifetime expected credit losses are used.

The carrying amount of trade debtors and other debtors is reduced through the use of an allowance account, and the amount of the loss allowance is recognised in the profit and loss account within other net operating charges. The Group's policy is to write off trade debtors and other debtors when there is no reasonable expectation of recovery of the balance due. Indicators that there is no reasonable expectation of recovery depend on the type of debtor/customer and include a debt being over four months old, the failure of the debtor to engage in a repayment plan and the failure to recover any amounts through enforcement activity. Subsequent recoveries of amounts previously written off are credited against other net operating charges in the profit and loss account.

Cash and cash equivalents

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

Borrowings

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

If the basis for determining the contractual cash flows of borrowings measured at amortised cost changes as a result of interest rate benchmark reform, then the effective interest rate of the borrowings is updated to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform when the change is necessary as a direct consequence of the reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

Other creditors and amounts owed to associated undertakings

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

Derecognition of financial liabilities

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

1.12 Equity instruments

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

1.13 Taxation

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

1 Accounting policies **(Continued)**

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Leases

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

Rentals payable under operating leases, including any lease incentives received, are charged to the profit and loss account on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.15 Exceptional items

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

1.16 Government grants

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

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

2 Judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

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

Exceptional items

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

Key sources of estimation uncertainty

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

Tangible fixed assets

The Group carries its effective freehold land and buildings at fair value. These properties are valued by external valuers on an open market value basis, primarily using earnings multiples derived from prices in observed transactions involving comparable businesses. The estimation of the fair values requires a combination of assumptions, including future earnings and appropriate multiples.

The carrying amount of tangible fixed assets is shown in note 14.

Valuation of interest rate swaps

The Group's interest rate swaps are held at fair value. The Group utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date. The fair values are highly sensitive to the inputs to the valuations, such as discount rates, analysis of credit risk and yield curves. The carrying amount of the interest rate swaps is shown in note 16.

3 Turnover

	2023	2022
	£m	£m
Turnover by category		
Sale of goods	388.5	352.5
Rendering of services	33.4	31.6
	421.9	384.1

Turnover is attributable to the one principal activity of the Group. Turnover originates in the UK and is not materially different from turnover by destination.

4 Net trading expenses

	2023 £m	2022 £m
Change in stocks of finished goods	(1.3)	0.6
Other operating income	(6.3)	(2.7)
Raw materials and consumables	112.9	103.1
Staff costs recharged from associated undertakings	76.9	74.8
Depreciation and other amounts written off tangible and intangible fixed assets	20.1	19.7
Other net operating charges	149.4	126.8
	351.7	322.3

Government grants of £nil (2022: £0.5m) in respect of COVID-19 assistance from local authorities are included within other operating income.

5 Exceptional costs/(income)

	2023 £m	2022 £m
Impairment of tangible fixed assets	46.6	26.8
Reversal of past impairment of tangible fixed assets	(27.6)	(27.7)
VAT claims	-	(3.3)
	19.0	(4.2)

At 2 July 2023 the Group's effective freehold properties were revalued by independent chartered surveyors on an open market value basis. The Group also undertook an impairment review of its leasehold properties in the current period.

6 Operating profit

	2023 £m	2022 £m
Operating profit for the period is stated after charging/(crediting):		
Depreciation of tangible fixed assets	11.6	10.9
Impairment of tangible fixed assets	46.6	26.8
Reversal of past impairment of tangible fixed assets	(27.6)	(27.7)
Profit on disposal of tangible fixed assets	(4.6)	(0.8)
Amortisation of intangible fixed assets	8.5	8.8
Loss on disposal of intangible fixed assets	-	0.1
Operating lease charges	1.2	1.2

7 Auditor's remuneration

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

8 Employees

The average monthly number of people employed by the Company and the Group during the period was nil (2022: nil). The Directors received no remuneration in respect of their services to the Company or the Group (2022: £nil). Details of staff costs recharged from associated undertakings are provided in note 4.

9 Interest receivable and similar income

	2023 £m	2022 £m
Interest income		
Interest on bank deposits	0.2	-
Other interest income	-	0.3
Total income	0.2	0.3
Interest on financial assets not measured at fair value through profit or loss	0.2	-

10 Interest payable and similar charges

	2023 £m	2022 £m
Interest on financial liabilities measured at amortised cost:		
Subordinated loan interest	196.8	173.8
Securitised debt interest	33.3	35.8
	230.1	209.6
Other finance costs:		
Other interest and similar charges	2.1	1.9
	232.2	211.5

11 Other gains and losses

	2023 £m	2022 £m
Interest rate swap movements		
Reclassification of losses on cash flow hedges to profit or loss	(8.6)	(9.9)
Hedge ineffectiveness on cash flow hedges (net of cash paid)	0.8	2.3
Change in the value of interest rate swaps held at fair value through profit or loss	(11.8)	97.2
	(19.6)	89.6

12 Taxation

	2023 £m	2022 £m
Current tax		
UK corporation tax on results for the current period	(38.4)	(30.4)
Adjustments in respect of prior periods	(0.1)	(0.3)
Total current tax	(38.5)	(30.7)
Deferred tax		
Origination and reversal of timing differences	(4.5)	28.0
Total tax credit	(43.0)	(2.7)

The March 2021 Budget announced that the main rate of corporation tax would change from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021. As such the Group's results for the current period have been taxed at an effective rate of 22%. This will increase the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 30 September 2023 have been calculated at 25% (2022: 25%).

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

	2023 £m	2022 £m
Loss before taxation	(200.4)	(55.6)
Expected tax based on the standard rate of corporation tax in the UK of 22% (2022: 19%)	(44.1)	(10.6)
Tax effect of expenses that are not deductible in determining taxable profit	1.7	0.6
Adjustments in respect of prior periods	0.7	0.8
Deferred tax in respect of land and buildings	(0.7)	-
Difference between deferred and current tax rates	(0.6)	6.5
Tax credit for the period	(43.0)	(2.7)

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

	2023 £m	2022 £m
Deferred tax arising on:		
Revaluation of property	3.4	7.9
Cash flow hedges	2.0	9.5
Total tax recognised in other comprehensive income	5.4	17.4

13 Intangible fixed assets

Group	Goodwill	Computer software	Total
	£m	£m	£m
Cost			
At 2 October 2022	139.8	17.1	156.9
Additions - separately acquired	-	0.3	0.3
Disposals	(3.3)	(0.5)	(3.8)
At 30 September 2023	136.5	16.9	153.4
Amortisation and impairment			
At 2 October 2022	124.3	2.4	126.7
Amortisation charged for the period	7.6	0.9	8.5
Disposals	(3.0)	(0.1)	(3.1)
At 30 September 2023	128.9	3.2	132.1
Carrying amount			
At 30 September 2023	7.6	13.7	21.3
At 1 October 2022	15.5	14.7	30.2

The Company had no intangible fixed assets at 30 September 2023 or 1 October 2022.

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

14 Tangible fixed assets

Group	Effective freehold land and buildings	Leasehold land and buildings	Plant, fixtures and fittings	Total
	£m	£m	£m	£m
Cost or valuation				
At 2 October 2022	1,080.0	16.1	120.4	1,216.5
Additions	16.8	0.3	15.2	32.3
Disposals	(15.2)	-	(12.6)	(27.8)
Revaluation	(3.0)	-	-	(3.0)
At 30 September 2023	1,078.6	16.4	123.0	1,218.0
Depreciation and impairment				
At 2 October 2022	-	3.9	60.6	64.5
Depreciation charged in the period	-	0.2	11.4	11.6
Eliminated in respect of disposals	-	-	(11.1)	(11.1)
Impairment	-	0.1	-	0.1
At 30 September 2023	-	4.2	60.9	65.1
Carrying amount				
At 30 September 2023	1,078.6	12.2	62.1	1,152.9
At 1 October 2022	1,080.0	12.2	59.8	1,152.0

The Company had no tangible fixed assets at 30 September 2023 or 1 October 2022.

The carrying amount of land and buildings comprises:

	Group		Company	
	2023	2022	2023	2022
	£m	£m	£m	£m
Freehold	1,032.4	1,030.5	-	-
Leasehold land and buildings with a term greater than 100 years at acquisition/commencement	46.2	49.5	-	-
Leasehold land and buildings with a term less than 100 years at acquisition/commencement	12.2	12.2	-	-
	1,090.8	1,092.2	-	-

14 Tangible fixed assets **(Continued)**

At 2 July 2023 the Group's effective freehold properties were revalued by independent chartered surveyors on an open market value basis. During the current and prior period various properties were also reviewed for impairment and/or material changes in value. These valuation adjustments were recognised in the revaluation reserve or within exceptional items in the profit and loss account as appropriate. The Group has concluded that the valuation as at 2 July 2023 does not differ materially from that which would have been determined using fair value as at 30 September 2023.

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

	Group		Company	
	2023	2022	2023	2022
	£m	£m	£m	£m
Profit and loss account:				
Reversal of past impairment	27.6	27.7	-	-
Impairment	(46.6)	(26.8)	-	-
	(19.0)	0.9	-	-
Revaluation reserve:				
Unrealised revaluation surplus	65.6	(23.3)	-	-
Reversal of past revaluation surplus	(49.7)	56.9	-	-
	15.9	33.6	-	-
Net (decrease)/increase in shareholders' equity/tangible fixed assets	(3.1)	34.5	-	-

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

	Group		Company	
	2023	2022	2023	2022
	£m	£m	£m	£m
Carrying amount	819.0	835.3	-	-

The Group's properties are pledged as security for the securitised debt (note 21).

15 Subsidiaries

Details of the Company's subsidiaries at 30 September 2023 are as follows:

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

The registered office of Marston's Pubs Limited is St Johns House, St Johns Square, Wolverhampton, WV2 4BH. The cost and net book value of the Company's investment in Marston's Pubs Limited at 30 September 2023 was £1 (2022: £1).

16 Financial instruments

	Group		Company	
	2023	2022	2023	2022
	£m	£m	£m	£m
Carrying amount of financial assets				
Measured at amortised cost	27.4	26.8	-	-
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Derivative financial instruments	37.4	25.5	-	-
Measured at amortised cost	2,312.5	2,171.5	-	-

Details of the Group's long-term borrowings are given in note 21.

The only financial instruments that the Group holds at fair value are interest rate swaps which are classified as derivative financial instruments in the table above. The fair values of the Group's interest rate swaps are obtained using a market approach and reflect the estimated amount the Group would expect to pay or receive on termination of the instruments, adjusted for the Group's own credit risk. The Group utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

Hedging arrangements

The Group uses its interest rate swaps to fix the interest rate payable on the floating rate elements of its securitised debt (note 21). The fair value of the interest rate swap designated as a hedging instrument is £5.4m (2022: £5.3m).

17 Stocks

	Group		Company	
	2023	2022	2023	2022
	£m	£m	£m	£m
Raw materials and consumables	1.7	1.5	-	-
Finished goods and goods for resale	5.9	4.6	-	-
	7.6	6.1	-	-

18 Debtors

	Group 2023	2022	Company 2023	2022
Amounts falling due within one year:	**£m**	**£m**	**£m**	**£m**
Trade debtors	5.1	5.5	-	-
Corporation tax recoverable	38.5	17.1	-	-
Other debtors	2.3	0.3	-	-
Prepayments and accrued income	2.5	5.5	-	-
	48.4	28.4	-	-

19 Creditors: amounts falling due within one year

	Notes	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
Other borrowings	**21**	48.7	48.5	-	-
Amounts owed to associated undertakings		11.2	26.2	-	-
Other taxation and social security		8.3	6.6	-	-
Other creditors		5.2	5.1	-	-
Accruals and deferred income		20.8	24.6	-	-
		94.2	111.0	-	-

Amounts owed to fellow subsidiary undertakings are non-interest bearing and repayable on demand.

20 Creditors: amounts falling due after more than one year

	Notes	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
Other borrowings	**21**	2,247.4	2,091.7	-	-
Derivative financial instruments		37.4	25.5	-	-
		2,284.8	2,117.2	-	-

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

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
Payable by instalments	371.0	422.2	-	-
Payable other than by instalments	1,687.2	1,490.4	-	-
	2,058.2	1,912.6	-	-

21 Borrowings

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
12.5% subordinated loan due to ultimate parent	1,687.2	1,490.4	-	-
Securitised debt	608.9	649.8	-	-
	2,296.1	2,140.2	-	-
Payable within one year	48.7	48.5	-	-
Payable after one year	2,247.4	2,091.7	-	-

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

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Marston's Pubs Limited. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on the ability to move cash to other companies within the Marston's Group. As a result of the COVID-19 outbreak Marston's Pubs Limited had in place certain covenant waivers in the prior period.

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

	2023 £m	2022 £m	Interest	Principal repayment period - by instalments	Expected average life	Expected maturity date
A2	134.6	164.0	Fixed/floating	2023 to 2027	4 years	2027
A3	200.0	200.0	Fixed/floating	2027 to 2032	9 years	2032
A4	121.8	133.7	Floating	2023 to 2031	8 years	2031
B	155.0	155.0	Fixed/floating	2032 to 2035	12 years	2035
	611.4	652.7				

21 Borrowings **(Continued)**

The interest payable on each tranche is as follows:

	Before step up	After step up	Step up date
A2	5.1576%	SONIA + 0.1193% + 1.32%	July 2019
A3	5.1774%	SONIA + 0.1193% + 1.45%	April 2027
A4	3-month LIBOR + 0.65%	SONIA + 0.1193% + 1.625%	October 2012
B	5.6410%	SONIA + 0.1193% + 2.55%	July 2019

The Group has agreed with its bondholders to replace 3-month LIBOR with the compounded Sterling Overnight Index Average (SONIA) plus 0.1193% after the discontinuance of LIBOR.

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

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

22 Provisions for liabilities

		Group		Company	
		2023	2022	2023	2022
	Notes	£m	£m	£m	£m
Deferred tax liabilities	23	48.5	47.6	-	-

23 Deferred taxation

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

	Liabilities 2023	Liabilities 2022
Group	**£m**	**£m**
Accelerated capital allowances	24.0	21.3
Tax losses	(2.2)	(1.3)
Property related items	51.6	50.1
Other timing differences	(16.3)	(17.0)
Interest rate swaps	(8.6)	(5.5)
	48.5	47.6

The Company had no deferred tax assets or liabilities at 30 September 2023 or 1 October 2022.

23 Deferred taxation **(Continued)**

Movements in the period:	Group 2023 £m	Company 2023 £m
Liability at 2 October 2022	47.6	-
Credit to profit or loss	(4.5)	-
Charge to other comprehensive income	5.4	-
Liability at 30 September 2023	48.5	-

24 Share capital

	Group and Company 2023 £m	2022 £m
Ordinary share capital		
Issued and fully paid		
1 ordinary share of £1 each	-	-

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

25 Revaluation reserve

When effective freehold land and buildings are revalued any gains and losses are recognised in the revaluation reserve, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in the revaluation reserve; such gains and losses are recognised in profit or loss. The associated deferred tax on revaluations is also recognised in the revaluation reserve. Amounts representing the equivalent depreciation are transferred to profit and loss reserves annually and the full amount is transferred on disposal of the associated property.

26 Hedging reserve

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

27 Operating lease commitments

Lessee

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

27 Operating lease commitments (Continued)

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

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
Within one year	0.6	0.5	-	-
Between one and five years	1.9	1.9	-	-
In over five years	11.0	11.1	-	-
	13.5	13.5	-	-

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

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

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
Within one year	6.2	8.1	-	-
Between one and five years	12.6	16.8	-	-
In over five years	7.7	9.3	-	-
	26.5	34.2	-	-

28 Capital commitments

At 30 September 2023 capital commitments were as follows:

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
Contracted for but not provided in the financial statements:				
Acquisition of tangible fixed assets	0.5	2.6	-	-

29 Related party transactions

On 9 August 2005 Marston's Pubs Limited was loaned £805.0m by Marston's Issuer PLC and on 22 November 2007 a further £330.0m was loaned by Marston's Issuer PLC. In addition, interest rate swap contracts entered into by Marston's Issuer PLC are used by Marston's Pubs Limited in relation to both the above loans. Interest of £9.7m (2022: £13.5m) had accrued on the loans and associated swaps at 30 September 2023 and capital repayments of £41.3m (2022: £42.8m) were made during the period. The total amount payable in relation to the swap arrangements at the period end was £37.4m (2022: £25.5m). Total interest charged was £32.9m (2022: £35.3m) and the outstanding balance of the loans at the period end is disclosed in note 21.

30 Controlling party

The immediate parent undertaking is Marston's Corporate Holdings Limited. The ultimate parent undertaking and controlling party is Marston's PLC, which is the parent undertaking of the smallest and largest group to consolidate the financial statements of Marston's Pubs Parent Limited. The registered office of Marston's PLC is St Johns House, St Johns Square, Wolverhampton, WV2 4BH and copies of the Marston's Group accounts can be obtained from the General Counsel & Company Secretary at this address.

31 Cash generated from Group operations

	2023 £m	2022 £m
Loss for the period after tax	(157.4)	(52.9)
Adjustments for:		
Taxation credited	(43.0)	(2.7)
Finance costs	232.2	211.5
Investment income	(0.2)	(0.3)
Profit on disposal of tangible fixed assets	(4.6)	(0.8)
Write-off of goodwill on disposal	0.3	0.1
Loss on disposal of intangible fixed assets	-	0.1
Amortisation and impairment of intangible fixed assets	8.5	8.8
Depreciation and impairment of tangible fixed assets	30.6	10.0
Other gains and losses	19.6	(89.6)
Movements in working capital:		
(Increase)/decrease in stocks	(1.5)	0.4
Decrease/(increase) in debtors	3.0	(3.9)
Increase/(decrease) in creditors	3.2	(2.7)
Intercompany movement	(15.0)	5.2
Cash generated from operations	75.7	83.2