MARSTON'S

30 November 2021

MARSTON'S PLC
RESULTS FOR THE 52 WEEKS ENDED 2 OCTOBER 2021*

POSTIVE MOMENTUM, STRENGTHENED BALANCE SHEET;
CLEAR PLANS FOR FUTURE GROWTH

Improved trading post lockdown, sales levels above 2019

- Full year 2021 sales impacted by significant disruptions from the pandemic
- Improving trading trends since reopening outdoors in April
    - Like-for-like sales** since restrictions lifted in July 102% of 2019
- Strong accommodation sales benefitting from staycations

Strengthened balance sheet; strong cash management through pandemic

- Net debt of £1,232 million, £97 million reduction since 2020
- Strong cash management throughout pandemic; no recourse to equity market
- Financial strategy on track to reduce net debt to below £1 billion by 2025

Carlsberg partnership completed 30 October 2020

- £256 million of net proceeds including £28.2 million contingent due December 2021
- Retain 40% stake in a high-quality beer business currently held at £277 million
- Higher levels of synergies expected of c.£35-40 million, driving future value creation

Innovative transaction to operate SA Brain pubs

- Operate a high-quality portfolio of 107 pubs in Wales on long-term arrangement
- Proforma EBITDA of £7 million with additional opportunity of £2-3 million synergy benefits
- Capital-light acquisition provides template for future transactions

Clear strategy with clear targets

- High-quality pub estate nationwide, with limited exposure to city centres
- "Pubs to Be Proud Of" – Guest-focused pub strategy with clear operational targets
- "Back to a Billion" – Sales above £1 billion, borrowings below £1 billion by 2025
- Plan to reposition 290 food-led pubs to meet changing consumer dynamics
- Evolution of franchise model with formulation of the new "Pillar" agreement for food-led leased pubs

Net Zero commitment

- Market-leading environmental actions to date
- Clear roadmap to achieve 2030 commitment to Scope 1 and 2 emissions
- Aligned to industry commitment to 2040 net zero for Scope 3 emissions

Encouraging current trading, navigating through headwinds

- Current trading encouraging - total LFL sales 1.3% versus 2019 despite reduction in VAT relief
- Christmas bookings encouraging and in line with 2019
- Hedging and long-term contracts in place to manage 2022 inflation headwinds
- Less exposed to labour challenges due to predominantly suburban pub estate

Financial Highlights

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

** Total revenue includes continuing and discontinuing operations*

- On a statutory basis revenue was £401.7m and loss before tax was £(171.1)m. This excludes discontinued operations.
- The financial performance for the period reflects the significant disruption to trading from the pandemic during the period and the sale of Marston's Beer Company to Carlsberg Marston's Brewing Company.
- The statutory profit before tax reflects the profit on disposal of the beer business of £291 million and a non-cash impairment charge of £84 million for property.
- The business has a strong balance sheet position. As at the balance sheet date, the Group had drawn down £190 million of a £280 million bank facility providing headroom of £90 million.
- The financial figures above combine the total revenue and earnings of both continuing and discontinued operations in the period.

Commenting, Andrew Andrea, CEO said:

"It is extremely encouraging that trading momentum has built well since reopening and trading is now exceeding FY2019 levels. We were delighted to fully reopen our estate in July, once restrictions were lifted, and welcome our guests and team members back into our pubs. Whilst there are still some challenges to navigate over the months ahead, we believe the worst of the pandemic is now behind us and Marston's has emerged a stronger, more focused business which is in great shape. Importantly, consumer demand for the pub and the role which this great British institution plays, at the heart of communities up and down the country, has never been stronger.

"Over the last 18 months, the Government provided much welcomed support to the hospitality industry, which has been so hard hit by the pandemic. We urge them to continue to assist the sector as it continues its recovery by maintaining VAT at 12.5%.

"Marston's enters the year ahead as a focused pub business with a clear strategic plan, a profitable and cash generative business, a strong balance sheet and a 40% share in CMBC, our partnership with Carlsberg, which has such exciting potential. Our debt reduction plans remain on track and our well-invested, predominantly freehold, suburban pub estate is well placed to benefit from many of the positive consumer dynamics and drivers post pandemic. Whilst still early days, Christmas bookings look encouraging and we look to the future with renewed optimism."

**Prior year was a 53-week period to 3 October 2020*
***Like-for-like sales is defined as sales this year compared to sales in 2019, the same pubs trading in both periods, expressed as a percentage*

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NOTES TO EDITORS

- Marston's is a leading pub operator with a 40% holding in Carlsberg Marston's Brewing Company
- It operates an estate of c1,500 pubs situated nationally, comprising managed, franchised and leased pubs
- Marston's employs around 12,000 people

GROUP OVERVIEW

2021 PERFORMANCE OVERVIEW

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

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

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

Trading

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

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

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

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

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

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

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

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

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

The performance of the Group is assessed using several alternative performance measures which are all derived from statutory figures as presented in the financial statements. The following statutory measures are also relevant when considering the performance of the Group: revenue £401.7m (2020: £515.5m), operating loss £105.0m (2020: £285.5m), loss before taxation: £171.1m (2020: £388.7m), profit/loss from discontinued operations £291.1m (2020: £(11.1)m) and net (decrease)/increase in cash and cash equivalents £(8.5m) (2020: £3.1m).

Cash flow, Financing and Balance Sheet

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

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

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

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

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

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

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

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

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

Dividend

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

Current Trading and Outlook

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

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

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

STRATEGIC PRIORITIES

Market Dynamics

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

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

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

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

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

Strategic and Operational Review

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

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

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

Our Corporate Goals

The corporate goals underpinning the vision are twofold:

“Better than the Rest”: Continued outperformance of the Peach Market Tracker in both food-led and wet-led pubs outside the M25

“Back to a Billion”: This encompasses two financial targets, namely:

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

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

- Organic sales and earnings growth: by growing sales and earnings beyond pre-pandemic levels we are driving cash flow growth that can be deployed to reinvest in the business, continue to pay down debt and resume sustainable and progressive dividends.

- Capital allocation: adopting a capital allocation policy that focuses on paying down debt, resuming sustainable dividends and considering earnings enhancing, capital-light acquisitions.

- Improve asset value and return on capital: over the last two years our property value has been impaired by around £350 million, reflecting the impact of the pandemic. Our organic growth plans provide an opportunity to restore the impaired value as well as improving return on capital.

- “Committed to be a responsible and sustainable business”: achieving our roadmap to Net Zero for Scope 1,2 and 3 emissions alongside creating champion targets for key ESG issues relevant to our business.

How we will deliver our goals

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

Strategic Pillars. Underpinning the vision are three strategic pillars to which we align all of our internal actions:

Guest Obsessed - this pillar ensures that our guests are at the heart of all of our decisions and everything we do.

Insight and data driven decisions

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

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

Creating memorable experiences

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

Focus on the peak periods; minimise distraction

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

Raise the Bar – this pillar focusses on ensuring we raise our standards in everything we do and are driven by continuous improvement.

Investing in people

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

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

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

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

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

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

Operational excellence

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

Focused improvement – "Make Great"

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

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

We will Grow – this pillar focusses on the actions that will drive the £1 billion sales target.

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

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

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

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

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

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

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

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

Continued evolution of franchise – Pillar agreement

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

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

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

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

Creating a stronger sales culture - Project Boost

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

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

Innovative growth strategy

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

CARLSBERG MARSTONS BREWING COMPANY ("CMBC")

Following the disposal of the brewing business into CMBC we retain a 40% stake in a high-quality business that is well placed for growth.

Our partnership has started well, and we are working with Carlsberg to drive the business forward. The team have done an outstanding job on integration and providing the platform to drive the synergies identified in the original process. As reported previously, we anticipate the synergies are now expected to be in the range £35-40 million - significantly in excess of the £24 million reported on completion.

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

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

ESG – Roadmap to Net Zero

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

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

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

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

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

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

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

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

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

PERFORMANCE AND FINANCIAL REVIEW

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

Pubs

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

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

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

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

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

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

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

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

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

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

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

Property

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

Pensions

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

Notes:

-Prior period was a 53-week period to 3 October 2020

-Revenue and earnings numbers reflect the combination of both continuing and discontinued operations

GROUP INCOME STATEMENT
For the 52 weeks ended 2 October 2021

	2021 Underlying £m	2021 Non-underlying (note 3) £m	2021 Total £m	2020 Underlying £m	2020 Non-underlying (note 3) £m	2020 Total £m
Continuing operations						
Revenue	**401.7**	**-**	**401.7**	515.5	-	515.5
Operating expenses	**(396.0)**	**(96.2)**	**(492.2)**	(458.8)	(342.2)	(801.0)
Loss from associates	**(14.5)**	**-**	**(14.5)**	-	-	-
Operating (loss)/profit	**(8.8)**	**(96.2)**	**(105.0)**	56.7	(342.2)	(285.5)
Finance costs	**(93.4)**	**(2.0)**	**(95.4)**	(96.1)	(2.7)	(98.8)
Finance income	**0.9**	**-**	**0.9**	1.0	1.0	2.0
Interest rate swap movements	**-**	**8.4**	**8.4**	-	(6.4)	(6.4)
Contingent consideration fair value movement	**-**	**20.0**	**20.0**	-	-	-
Net finance costs	**(92.5)**	**26.4**	**(66.1)**	(95.1)	(8.1)	(103.2)
Loss before taxation	**(101.3)**	**(69.8)**	**(171.1)**	(38.4)	(350.3)	(388.7)
Taxation	**15.1**	**27.7**	**42.8**	14.6	25.6	40.2
Loss for the period from continuing operations	**(86.2)**	**(42.1)**	**(128.3)**	(23.8)	(324.7)	(348.5)
Discontinued operations						
Profit/(loss) for the period from discontinued operations	**1.7**	**289.4**	**291.1**	13.3	(24.4)	(11.1)
(Loss)/profit for the period attributable to equity shareholders	**(84.5)**	**247.3**	**162.8**	(10.5)	(349.1)	(359.6)

The results for the current period reflect the 52 weeks ended 2 October 2021 and the results for the prior period reflect the 53 weeks ended 3 October 2020.

Earnings/(loss) per share:	**2021 p**	2020 p
Basic earnings/(loss) per share		
Total	**25.7**	(56.8)
Continuing	**(20.3)**	(55.1)
Discontinued	**46.0**	(1.8)
Basic underlying (loss)/earnings per share		
Total	**(13.4)**	(1.7)
Continuing	**(13.6)**	(3.8)
Discontinued	**0.3**	2.1
Diluted earnings/(loss) per share		
Total	**25.7**	(56.8)
Continuing	**(20.3)**	(55.1)
Discontinued	**46.0**	(1.8)
Diluted underlying (loss)/earnings per share		
Total	**(13.4)**	(1.7)
Continuing	**(13.6)**	(3.8)
Discontinued	**0.3**	2.1

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 2 October 2021

	2021 £m	2020 £m
Profit/(loss) for the period	**162.8**	(359.6)
Items of other comprehensive income that may subsequently be reclassified to profit or loss		
Gains/(losses) arising on cash flow hedges	**5.9**	(3.8)
Transfers to the income statement on cash flow hedges	**19.7**	21.3
Tax on items that may subsequently be reclassified to profit or loss	**1.7**	(0.3)
	27.3	17.2
Items of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	**17.5**	(6.5)
Unrealised surplus on revaluation of properties	**59.1**	-
Reversal of past revaluation surplus	**(105.0)**	(151.2)
Tax on items that will not be reclassified to profit or loss	**(12.3)**	17.7
	(40.7)	(140.0)
Other comprehensive expense for the period	**(13.4)**	(122.8)
Total comprehensive income/(expense) for the period attributable to equity shareholders	**149.4**	(482.4)

Other comprehensive expense for the current and prior period relates wholly to continuing operations.

The results for the current period reflect the 52 weeks ended 2 October 2021 and the results for the prior period reflect the 53 weeks ended 3 October 2020.

GROUP CASH FLOW STATEMENT

For the 52 weeks ended 2 October 2021

	2021 £m	2020 (Restated) £m
Operating activities		
Profit/(loss) for the period	**162.8**	(359.6)
Taxation	**(43.5)**	(37.5)
Net finance costs	**66.2**	104.1
Depreciation and amortisation	**42.7**	51.6
Gain on disposal of subsidiary	**(290.5)**	-
Working capital movement	**(6.4)**	71.9
Non-cash movements	**100.6**	334.1
Increase in provisions and other non-current liabilities	**2.3**	1.0
Difference between defined benefit pension contributions paid and amounts charged	**(7.0)**	(7.3)
Income tax received/(paid)	**7.5**	(1.8)
Net cash inflow from operating activities	**34.7**	156.5
Investing activities		
Interest received	**0.5**	1.5
Sale of property, plant and equipment and assets held for sale	**16.2**	74.9
Purchase of property, plant and equipment and intangible assets	**(46.6)**	(63.7)
Disposal of subsidiary	**228.0**	-
Movement in trade loans	**0.1**	1.2
Finance lease capital repayments received	**1.2**	1.5
Net transfer to other cash deposits	**(1.2)**	-
Net cash inflow from investing activities	**198.2**	15.4
Financing activities		
Equity dividends paid	**-**	(30.4)
Interest paid	**(96.3)**	(91.0)
Swap termination costs	**(19.9)**	-
Proceeds from sale of own shares	**0.1**	-
Repayment of securitised debt	**(35.4)**	(33.4)
Repayment of bank borrowings	**(80.1)**	(60.7)
Capital element of lease liabilities repaid	**(19.8)**	(8.3)
Advance of other borrowings	**10.0**	55.0
Net cash outflow from financing activities	**(241.4)**	(168.8)
Net (decrease)/increase in cash and cash equivalents	**(8.5)**	3.1

The cash flows for the current period reflect the 52 weeks ended 2 October 2021 and the cash flows for the prior period reflect the 53 weeks ended 3 October 2020.

The cash flow statement for the 53 weeks ended 3 October 2020 has been restated such that it starts with the loss for the period rather than underlying operating profit. This restatement has had no impact on the net cash flows from operating, investing or financing activities or on the net increase in cash and cash equivalents in the period.

GROUP BALANCE SHEET

As at 2 October 2021

	2 October 2021 £m	3 October 2020 £m
Non-current assets		
Goodwill	**-**	-
Other intangible assets	**36.1**	32.5
Property, plant and equipment	**1,984.2**	2,038.3
Interests in associates	**277.4**	-
Other non-current assets	**15.9**	17.5
Deferred tax assets	**47.6**	16.7
	2,361.2	2,105.0
Current assets		
Inventories	**12.9**	10.4
Trade and other receivables	**52.3**	16.2
Current tax assets	**1.0**	8.0
Other cash deposits	**3.2**	2.0
Cash and cash equivalents	**32.2**	40.6
	101.6	77.2
Assets held for sale	**5.1**	349.7
	106.7	426.9
Current liabilities		
Borrowings	**(67.5)**	(64.7)
Derivative financial instruments	**-**	(37.0)
Trade and other payables	**(220.7)**	(222.1)
Provisions for other liabilities and charges	**(1.5)**	(1.1)
	(289.7)	(324.9)
Liabilities held for sale	**-**	(111.0)
	(289.7)	(435.9)
Non-current liabilities		
Borrowings	**(1,571.8)**	(1,610.9)
Derivative financial instruments	**(170.5)**	(187.4)
Other non-current liabilities	**(5.5)**	(3.9)
Provisions for other liabilities and charges	**(9.6)**	(7.7)
Retirement benefit obligations	**(14.4)**	(37.2)
	(1,771.8)	(1,847.1)
Net assets	**406.4**	248.9
Shareholders' equity		
Equity share capital	**48.7**	48.7
Share premium account	**334.0**	334.0
Revaluation reserve	**360.5**	430.6
Merger reserve	**-**	23.7
Capital redemption reserve	**6.8**	6.8
Hedging reserve	**(81.4)**	(108.7)
Own shares	**(111.1)**	(111.9)
Retained earnings	**(151.1)**	(374.3)
Total equity	**406.4**	248.9

GROUP STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 2 October 2021

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 4 October 2020	48.7	334.0	430.6	23.7	6.8	(108.7)	(111.9)	(374.3)	248.9
Profit for the period	-	-	-	-	-	-	-	162.8	162.8
Remeasurement of retirement benefits	-	-	-	-	-	-	-	17.5	17.5
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	-	(2.5)	(2.5)
Gains on cash flow hedges	-	-	-	-	-	5.9	-	-	5.9
Transfers to the income statement on cash flow hedges	-	-	-	-	-	19.7	-	-	19.7
Tax on hedging reserve movements	-	-	-	-	-	1.7	-	-	1.7
Property revaluation	-	-	59.1	-	-	-	-	-	59.1
Property impairment	-	-	(105.0)	-	-	-	-	-	(105.0)
Deferred tax on properties	-	-	(9.8)	-	-	-	-	-	(9.8)
Total comprehensive (expense)/income	-	-	(55.7)	-	-	27.3	-	177.8	149.4
Share-based payments	-	-	-	-	-	-	-	1.2	1.2
Sale of own shares	-	-	-	-	-	-	0.8	(0.7)	0.1
Transfer disposals to retained earnings	-	-	(15.1)	(23.7)	-	-	-	38.8	-
Transfer tax to retained earnings	-	-	0.7	-	-	-	-	(0.7)	-
Changes in equity of associates	-	-	-	-	-	-	-	6.8	6.8
Total transactions with owners	-	-	(14.4)	(23.7)	-	-	0.8	45.4	8.1
At 2 October 2021	**48.7**	**334.0**	**360.5**	**-**	**6.8**	**(81.4)**	**(111.1)**	**(151.1)**	**406.4**

For the 53 weeks ended 3 October 2020

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 29 September 2019 (as originally reported)	48.7	334.0	598.9	23.7	6.8	(125.9)	(112.0)	36.9	811.1
Prior period adjustment	-	-	-	-	-	-	-	3.6	3.6
Adjustment for asset class split	-	-	(29.9)	-	-	-	-	(14.4)	(44.3)
Tax impact of asset class split	-	-	4.4	-	-	-	-	(0.6)	3.8
At 29 September 2019 (as restated)	48.7	334.0	573.4	23.7	6.8	(125.9)	(112.0)	25.5	774.2
Adjustment for adoption of IFRS 16	-	-	-	-	-	-	-	(15.9)	(15.9)
Tax impact of IFRS 16 adjustment	-	-	-	-	-	-	-	3.0	3.0
At 29 September 2019 (as adjusted)	48.7	334.0	573.4	23.7	6.8	(125.9)	(112.0)	12.6	761.3
Loss for the period	-	-	-	-	-	-	-	(359.6)	(359.6)
Remeasurement of retirement benefits	-	-	-	-	-	-	-	(6.5)	(6.5)
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	-	2.0	2.0
Losses on cash flow hedges	-	-	-	-	-	(3.8)	-	-	(3.8)
Transfers to the income statement on cash flow hedges	-	-	-	-	-	21.3	-	-	21.3
Tax on hedging reserve movements	-	-	-	-	-	(0.3)	-	-	(0.3)
Property impairment	-	-	(151.2)	-	-	-	-	-	(151.2)
Deferred tax on properties	-	-	15.7	-	-	-	-	-	15.7
Total comprehensive (expense)/income	-	-	(135.5)	-	-	17.2	-	(364.1)	(482.4)
Share-based payments	-	-	-	-	-	-	-	0.4	0.4
Sale of own shares	-	-	-	-	-	-	0.1	(0.1)	-
Transfer disposals to retained earnings	-	-	(8.1)	-	-	-	-	8.1	-
Transfer tax to retained earnings	-	-	0.8	-	-	-	-	(0.8)	-
Dividends paid	-	-	-	-	-	-	-	(30.4)	(30.4)
Total transactions with owners	-	-	(7.3)	-	-	-	0.1	(22.8)	(30.0)
At 3 October 2020	**48.7**	**334.0**	**430.6**	**23.7**	**6.8**	**(108.7)**	**(111.9)**	**(374.3)**	**248.9**

NOTES
For the 52 weeks ended 2 October 2021

1 ACCOUNTING POLICIES

Basis of preparation
The financial information for the 52 weeks ended 2 October 2021 (2020: 53 weeks ended 3 October 2020) has been extracted from the audited financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee and Standing Interpretations Committee interpretations, adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally effective freehold land and buildings, certain financial instruments, retirement benefits and share-based payments.

Going concern
The impact of COVID-19 on the economy and the hospitality industry has resulted in lower revenues, profit and operating cash flow since March 2020 and has heightened uncertainty about the future financial performance of the Group and the Company, which could cast significant doubt over the Group's ability to trade as a going concern. The COVID-19 pandemic has resulted in a variety of temporary operating restrictions and, although the hospitality industry has now reopened in full, there is still uncertainty as to whether any restrictions, such as social distancing measures, will be reintroduced or whether any further local or national lockdowns will be required.

The Group's sources of funding include its securitised debt, a £280.0 million bank facility available until 2024, of which £190.0 million was drawn at 2 October 2021, and a £40.0 million private placement available until 2024.

There are two covenants associated with the Group's securitised debt. The FCF DSCR is a measure of free cash flow to debt service for the group headed by Marston's Pubs Parent Limited, and is required to be a minimum of 1.1 over both a two-quarter and four-quarter period, and the Net Worth is derived from the net assets of that group of companies. The Group has secured waivers from its bondholders in respect of the FCF DSCR Covenant up to and including 2 October 2021 for the two-quarter test and up to and including 1 January 2022 for the four-quarter test.

There are two covenants associated with the Group's bank and private placement borrowings. The Debt Cover covenant is a measure of net borrowings to EBITDA (a maximum of 3.5 times) for the non-securitised group of companies and the Interest Cover covenant is a measure of EBITDA to finance charges (a minimum of 2 times from 2 April 2022, rising to 2.5 times from 1 October 2022, and further rising to 3 times from 1 April 2023) for that group of companies. The Group has agreed with its bank and private placement lenders to replace these existing financial covenant tests with a series of absolute covenants in respect of net borrowings and EBITDA for each quarter up to and including 1 January 2022.

The Directors have performed an assessment of going concern over the period of 12 months from the date of signing these financial statements, to assess the adequacy of the Group's financial resources. In performing their assessment, the Directors considered the Group's financial position and exposure to principal risks, including the ongoing impact of COVID-19. The Group's forecasts assume that sales and costs will continue at levels experienced in recent months, rising broadly in line with inflation. Deferred VAT will be repaid on its due date and the expected increase in the VAT rate from 12.5% to 20% in April 2022 will be absorbed by the Group. There is a forecast breach in both the Debt Cover and Interest Cover bank and private placement covenants at 2 April 2022.

The Directors have also considered a severe but plausible downside scenario, incorporating further lockdowns at a national level in January and February 2022, which would have the effect of substantially reducing sales, profit and operating cash flow. It has been assumed that there is no access to government support measures such as furlough payments in this scenario, and certain mitigating actions within management's control have been assumed, such as the deferral of uncommitted capital expenditure. The conclusion of this assessment was that the Directors are satisfied that the Group has sufficient liquidity to withstand such a severe but plausible downside scenario. However, the Debt Cover and Interest Cover bank and private placement covenants and the FCF DSCR Covenant for the securitisation are all forecast to be breached at 2 April 2022.

As the forecasts indicate that covenants are expected to be breached within the next 12 months, the Directors have concluded that a material uncertainty over going concern exists. The Group will continue to have regular communication with its lenders throughout this period and on the basis of the previous waivers secured and the return to pre-pandemic levels of trading in recent months the Directors expect to be able to secure the future waivers required.

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

2 SEGMENT REPORTING

In the prior period the Group had three distinguishable operating segments being Pubs and Bars, Brewing and Group Services. Following the disposal of the Group's brewing operations in October 2020, the Group is considered to have one operating segment under IFRS 8 'Operating Segments' and no disclosures are presented. This is in line with the reporting to the chief operating decision maker and the operational structure of the business. The measure of profit or loss reviewed by the chief operating decision maker is underlying profit/loss before tax for the total of continuing and discontinued operations.

3 NON-UNDERLYING ITEMS

	2021 £m	2020 £m
Non-underlying operating items		
Reorganisation and restructuring costs	**1.0**	-
Impairment of freehold and leasehold properties	**83.9**	105.1
Write-off of acquisition and development costs	**-**	0.9
Past service cost in respect of Guaranteed Minimum Pension equalisation	**0.5**	-
Impairment of goodwill	**-**	200.6
Portfolio disposals	**-**	22.4
Impact of COVID-19	**10.8**	16.4
VAT claims	**-**	(3.2)
	96.2	342.2
Non-underlying non-operating items		
Net interest on net defined benefit asset/liability	**0.6**	0.6
Interest on VAT claims	**-**	(1.0)
COVID-19 financing costs	**1.4**	2.1
Interest rate swap movements	**(8.4)**	6.4
Contingent consideration fair value movement	**(20.0)**	-
	(26.4)	8.1
Total non-underlying items for continuing operations	**69.8**	350.3

Reorganisation and restructuring costs
Following the disposal of the Group's brewing business, and in light of the ongoing impact of the COVID-19 outbreak, the Group undertook a central restructuring exercise in the current period as part of a full review of its overhead costs.

Impairment of freehold and leasehold properties
At 4 July 2021 the Group's effective freehold properties were revalued by independent chartered surveyors on an open market value basis. The Group also undertook an impairment review of its leasehold properties in the current period.

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

The revaluation and impairment adjustments in respect of the above were recognised in the revaluation reserve or income statement as appropriate. The amount recognised in the income statement comprises:

	2021 £m	2020 £m
Impairment of property, plant and equipment	**104.0**	105.1
Reversal of past impairment of property, plant and equipment	**(22.3)**	**-**
Impairment of assets held for sale	**1.8**	**-**
Valuation fees	**0.4**	**-**
	83.9	105.1

Past service cost in respect of Guaranteed Minimum Pension equalisation
On 26 October 2018 a High Court ruling indicated that Guaranteed Minimum Pensions must be equalised for men and women. On 20 November 2020 a further High Court ruling indicated that historic cash equivalent transfer values that were calculated on an unequalised basis should be topped up if an affected member makes a successful claim. This additional requirement has been reflected in the calculation of the Group's net defined benefit asset/liability in the current period and the resulting additional past service cost of £0.5 million has been classified as a non-underlying item.

Impact of COVID-19
In order to mitigate the spread of COVID-19 the UK government implemented various operating restrictions in the hospitality industry, such as pub closures, reduced opening times and social distancing measures. These had a significant impact on the Group's business and its customers. Certain associated costs/charges, which primarily comprise bad debt and lease related provisions, contract penalties and stock write-offs, have been classified as a non-underlying item in the current and prior period.

Net interest on net defined benefit asset/liability
The net interest on the net defined benefit asset/liability in respect of the Group's defined benefit pension plan was a charge of £0.6 million (2020: £0.6 million).

COVID-19 financing costs
As a result of the COVID-19 outbreak and the consequential impact on its trading ability, the Group obtained certain waivers from its lenders, primarily in respect of covenants. In the prior period the Group also obtained additional financing facilities from its lenders. The costs related to this have been classified as a non-underlying item in the current and prior period.

Interest rate swap movements
The Group's interest rate swaps are revalued to fair value at each balance sheet date. For interest rate swaps which were designated as part of a hedging relationship a gain of £5.9 million (2020: loss of £3.8 million) has been recognised in the hedging reserve in respect of the effective portion of the fair value movement and £7.2 million (2020: £6.7 million) has been reclassified from the hedging reserve to underlying finance costs in the income statement in respect of the cash paid in the period. The ineffective portion of the fair value movement has been recognised within the income statement. The cash paid of £1.6 million (2020: £1.7 million) has been recognised within underlying finance costs to ensure that underlying finance costs reflect the resulting fixed rate paid on the associated debt. The remainder of the ineffective portion of the fair value movement, a loss of £0.8 million (2020: gain of £0.5 million), has been recognised within non-underlying items. In addition £12.5 million (2020: £14.6 million) of the balance remaining in the hedging reserve in respect of discontinued cash flow hedges has been reclassified to the income statement within non-underlying items.

For interest rate swaps which were not designated as part of a hedging relationship the fair value movement has been recognised within the income statement. The cash paid of £11.6 million (2020: £11.4 million) has been recognised within underlying finance costs to ensure that underlying finance costs reflect the resulting fixed rate paid on the associated debt. The remainder of the fair value movement, a gain of £24.0 million (2020: £7.7 million), equal to the change in the carrying value of the interest rate swaps in the period has been recognised within non-underlying items.

The Group terminated one of its interest rate swaps in the current period resulting in a loss of £2.3 million which has been recognised within non-underlying items.

Contingent consideration fair value movement
The contingent consideration on the disposal of Marston's Beer Company Limited was initially recognised at its fair value at the date of disposal and has been subsequently remeasured at its fair value at 2 October 2021. The movement in fair value has been recognised within non-underlying items.

Impact of taxation
The current tax credit relating to the above non-underlying items amounts to £nil (2020: £3.2 million). The deferred tax credit relating to the above non-underlying items amounts to £7.9 million (2020: £20.6 million). In addition, there is a non-underlying deferred tax credit of £19.8 million (2020: £1.8 million) in relation to the change in corporation tax rate.

Prior period non-underlying items
In the 52 weeks ended 28 September 2019 the Group decided to focus its capital expenditure upon its existing estate and as such acquisition and development costs of £0.9 million in respect of sites which the Group no longer intended to acquire and/or develop were written off in the prior period.

In the prior period the Group fully impaired the goodwill that was allocated to the Pubs and Bars segment. The inputs to the value in use calculation were significantly impacted by the COVID-19 outbreak.

As part of its debt reduction strategy, the Group disposed of two portfolios of smaller wet-led leased, tenanted and franchised pubs and associated properties in the prior period. The net loss on disposal and associated costs were classified as a non-underlying item, together with dilapidations costs from a previous portfolio disposal.

In the prior period the Group recognised a net credit of £3.2 million in respect of VAT claims, along with the associated interest of £1.0 million. This comprised credits received from HM Revenue & Customs (HMRC) in relation to VAT on gaming machine income, following HMRC's decision not to further appeal the case brought by The Rank Group Plc, net of the reversal of amounts previously recognised in respect of VAT on pension scheme management expenses.

4 TAXATION

Income statement	**2021 £m**	2020 £m
Current tax:		
Current period	**-**	(2.9)
Adjustments in respect of prior periods	**(0.5)**	(0.3)
Credit in respect of tax on non-underlying items	**-**	(3.2)
	(0.5)	(6.4)
Deferred tax:		
Current period	**(14.6)**	(4.3)
Adjustments in respect of prior periods	**-**	(7.1)
Credit in respect of tax on non-underlying items	**(7.9)**	(20.6)
Non-underlying credit in relation to the change in tax rate	**(19.8)**	(1.8)
	(42.3)	(33.8)
Taxation credit for continuing operations reported in the income statement	**(42.8)**	(40.2)

5 DISCONTINUED OPERATIONS

On 4 October 2020 the Group transferred its brewing operations into a wholly-owned subsidiary, Marston's Beer Company Limited. On 30 October 2020 the Group sold Marston's Beer Company Limited to Carlsberg Marston's Brewing Company Limited in exchange for a cash receipt of £232.4 million, contingent consideration of up to £34.0 million and a 40% shareholding in Carlsberg Marston's Brewing Company Limited.

Results of discontinued operations

	2021			2020		
	Underlying £m	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m
Revenue	**22.1**	**-**	**22.1**	305.5	-	305.5
Operating expenses	**(20.7)**	**(1.4)**	**(22.1)**	(288.2)	(24.8)	(313.0)
Operating profit/(loss)	**1.4**	**(1.4)**	**-**	17.3	(24.8)	(7.5)
Net finance costs	**(0.1)**	**-**	**(0.1)**	(0.9)	-	(0.9)
Profit/(loss) before taxation	**1.3**	**(1.4)**	**(0.1)**	16.4	(24.8)	(8.4)
Taxation	**0.4**	**0.3**	**0.7**	(3.1)	0.4	(2.7)
Profit/(loss) after taxation	**1.7**	**(1.1)**	**0.6**	13.3	(24.4)	(11.1)
Gain on disposal of discontinued operations	**-**	**290.5**	**290.5**	-	-	-
Profit/(loss) for the period attributable to equity shareholders	**1.7**	**289.4**	**291.1**	13.3	(24.4)	(11.1)

Non-underlying operating items in the current period relate to the impact of COVID-19 and business separation costs. Non-underlying operating items in the prior period related to the impact of COVID-19, disposal costs and the impairment of central assets associated with discontinued operations.

Disposal of discontinued operations

	2021 £m
Consideration received in cash (net of disposal costs)	**228.1**
Shares in Carlsberg Marston's Brewing Company Limited	**285.1**
Balance owed by Marston's Beer Company Limited at completion	**55.5**
Contingent consideration	**8.9**
Total consideration	**577.6**
Goodwill	**29.7**
Other intangible assets	**62.1**
Property, plant and equipment	**157.6**
Trade loans	**8.0**
Inventories	**28.5**
Trade and other receivables	**56.8**
Cash and cash equivalents	**0.1**
Borrowings	**(21.1)**
Trade and other payables	**(20.8)**
Deferred tax liabilities	**(13.8)**
Net assets disposed of	**287.1**
Gain on disposal of discontinued operations	**290.5**

	2021 £m
Consideration received in cash (net of disposal costs)	**228.1**
Cash and cash equivalents disposed of	**(0.1)**
Net cash inflow on disposal	**228.0**

6 EARNINGS PER ORDINARY SHARE

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding treasury shares and those held on trust for employee share schemes.

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

Underlying (loss)/earnings per share figures are presented to exclude the effect of non-underlying items. The Directors consider that the supplementary figures are a useful indicator of performance.

	2021		2020	
	Earnings £m	**Per share amount p**	Earnings £m	Per share amount p
Basic earnings/(loss) per share				
Total	**162.8**	**25.7**	(359.6)	(56.8)
Continuing	**(128.3)**	**(20.3)**	(348.5)	(55.1)
Discontinued	**291.1**	**46.0**	(11.1)	(1.8)
Diluted earnings/(loss) per share				
Total	**162.8**	**25.7**	(359.6)	(56.8)
Continuing	**(128.3)**	**(20.3)**	(348.5)	(55.1)
Discontinued	**291.1**	**46.0**	(11.1)	(1.8)
Underlying (loss)/earnings per share figures				
Basic underlying (loss)/earnings per share				
Total	**(84.5)**	**(13.4)**	(10.5)	(1.7)
Continuing	**(86.2)**	**(13.6)**	(23.8)	(3.8)
Discontinued	**1.7**	**0.3**	13.3	2.1
Diluted underlying (loss)/earnings per share				
Total	**(84.5)**	**(13.4)**	(10.5)	(1.7)
Continuing	**(86.2)**	**(13.6)**	(23.8)	(3.8)
Discontinued	**1.7**	**0.3**	13.3	2.1

	2021 m	2020 m
Basic weighted average number of shares	**632.8**	632.7
Dilutive potential ordinary shares	**-**	-
Diluted weighted average number of shares	**632.8**	632.7

In accordance with IAS 33 'Earnings per Share' the potential ordinary shares are not dilutive as their inclusion would reduce the loss per share for continuing operations.

7 NET DEBT

Analysis of net debt	**2021 £m**	2020 £m
Cash and cash equivalents		
Cash at bank and in hand	**32.2**	40.6
	32.2	40.6
Financial assets		
Other cash deposits	**3.2**	2.0
	3.2	2.0
Debt due within one year		
Bank borrowings	**0.7**	0.7
Securitised debt	**(36.9)**	(34.9)
Lease liabilities	**(6.7)**	(15.9)
Other lease related borrowings	**0.4**	0.4
Other borrowings	**(25.0)**	(15.0)
	(67.5)	(64.7)
Debt due after one year		
Bank borrowings	**(188.9)**	(268.2)
Securitised debt	**(640.3)**	(677.2)
Lease liabilities	**(364.9)**	(288.2)
Other lease related borrowings	**(337.6)**	(337.2)
Other borrowings	**(40.0)**	(40.0)
Preference shares	**(0.1)**	(0.1)
	(1,571.8)	(1,610.9)
Net debt	**(1,603.9)**	(1,633.0)

Other cash deposits comprises deposits securing letters of credit for reinsurance contracts. Included within cash and cash equivalents is an amount of £5.6 million (2020: £6.0 million) relating to collateral held in the form of cash deposits. These amounts are both considered to be restricted cash. In addition, any other cash held in connection with the securitised business is governed by certain restrictions under the covenants associated with the securitisation.

Reconciliation of net cash flow to movement in net debt	**2021 £m**	2020 £m
(Decrease)/increase in cash and cash equivalents in the period	**(8.5)**	3.1
Increase in other cash deposits	**1.2**	-
Disposals	**0.1**	-
Cash outflow from movement in debt	**125.3**	47.4
Change in debt resulting from cash flows	**118.1**	50.5
Non-cash movements and deferred issue costs	**(88.9)**	(10.6)
Disposals and classified as held for sale	**(0.1)**	21.1
Movement in net debt in the period	**29.1**	61.0
Net debt at beginning of the period	**(1,633.0)**	(1,398.7)
Adjustment for adoption of IFRS 16	**-**	(295.3)
Net debt at end of the period	**(1,603.9)**	(1,633.0)

	2021 £m	2020 £m
Net debt excluding lease liabilities	**(1,232.3)**	(1,328.9)
Lease liabilities	**(371.6)**	(304.1)
Net debt	**(1,603.9)**	(1,633.0)

8 ORDINARY DIVIDENDS ON EQUITY SHARES

Paid in the period	**2021 £m**	2020 £m
Final dividend for 2020 of nil per share (2019: 4.8p)	**-**	30.4
Interim dividend for 2021 of nil per share (2020: nil)	**-**	-
	-	30.4

A final dividend for 2021 has not been proposed.

Notes:

(a) The financial information contained in this preliminary announcement does not constitute the Group's statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information has been extracted from the audited statutory accounts of the Group for the 52 weeks ended 2 October 2021, which will be filed with the Registrar of Companies in due course. The independent auditor's report on these accounts is unqualified and does not contain any statements under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for the 53 weeks ended 3 October 2020 have been delivered to the Registrar of Companies.

(b) The Annual Report and Accounts for the 52 weeks ended 2 October 2021 will be posted to shareholders on 20 December 2021. The Annual Report and Accounts can be downloaded from the Marston's PLC website: www.marstons.co.uk. Alternatively, copies will be obtainable from the Group Secretary, Marston's PLC, Marston's House, Brewery Road, Wolverhampton, WV1 4JT.