15th May 2014

MARSTON'S PLC

INTERIM RESULTS FOR THE 26 WEEKS ENDED 5 APRIL 2014

GROWTH IN REVENUE AND EARNINGS SUPPORTS INCREASE IN DIVIDEND

FINANCIAL HIGHLIGHTS

- Underlying Group revenue up 4.5% to £374.3 million.
- Underlying profit before tax up 9.4% to £29.0 million.
- Underlying earnings per share up 10.8% to 4.1 pence per share.
- Interim dividend up 4.3% to 2.4 pence per share.

OPERATING HIGHLIGHTS

- Destination and Premium: Like-for-like sales up 5.7%, operating profit up 18.2%.
- Taverns: Managed and franchised like-for-like sales up 3.8%, core estate in profit growth.
- Leased: Like-for-like profits up 3.0%.
- Brewing: Revenue up 3.5%, operating profit up 4.0%.

STRATEGY HIGHLIGHTS

- **New-build development:** On target for at least 27 new pubs this financial year.
- **Franchise expansion:** 65 pubs converted in first half.
- **Disposal of smaller wet-led pubs:** 286 properties sold for £116 million.
- **Market leader in premium ale:** Premium ale volumes up 2%.

CURRENT TRADING – 5 WEEKS TO 10 MAY

- Destination and Premium: Like-for-like sales up 4.1%.
- Taverns: Managed and franchised like-for-like sales up 3.0%.
- Leased: Like-for-like profits estimated to be up 5%.
- Own-brewed volumes up 6%.

Commenting, Ralph Findlay, Chief Executive, said:
"The first half year was good and current trading is strong. We are creating a higher quality pub estate which is delivering positive trading momentum and meets the expectations of today's customers. We opened 11 new pub-restaurants in the first half and remain on track to open at least 27 in total this year. Our 100th new pub built since 2009 will open this summer, with 5,000 jobs having been created.

We are beginning to see some evidence of consumer confidence returning in the regions, leaving us confident of making positive progress for the remainder of the year."

ENQUIRIES:

Marston's PLC Tel: 01902 329516
Ralph Findlay, Chief Executive Officer
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Matthew Smallwood

An audio webcast of the results presentation will be available at
http://webcast.instinctif.tv/886-1178-14355 on 15th May.

NOTES TO EDITORS

- Marston's is a leading pub operator and independent brewer.
- It has an estate of around 1,800 pubs situated nationally, comprising managed, franchised and leased pubs.
- It is the UK's leading brewer of premium cask and bottled ales, including Marston's Pedigree and Hobgoblin. The beer portfolio also includes Banks's, Jennings, Wychwood, Ringwood, Brakspear and Mansfield beers.
- Marston's employs around 13,000 people.
- The underlying results reflect the performance of the Group before exceptional and other adjusting items. The Directors consider that these figures provide a useful indication of the underlying performance of the Group.
- The statutory loss for the period after taxation was £47.5 million. This reflects non-underlying items of £70.7 million, the majority of which are non-cash and relate to disposal activity and charges in relation to the repurchase of the AB1 securitised loan note.
- £37.5 million of revaluation surpluses from the portfolio sale were transferred from the revaluation reserve to retained earnings.

GROUP OVERVIEW

We are pleased to announce a good first half performance which is in line with our expectations and shows encouraging trading momentum, with growth in both revenue and underlying profits in each of our trading segments (excluding the impact of disposals).

Total underlying revenue was 4.5% higher than last year. This reflects the contribution from new pub-restaurants, strong like-for-like sales and growth in Brewing, over and above the impact of disposals. Operating margin was 1.0% below last year mainly due to the continuing planned conversion of former tenanted pubs to our successful franchise model, generating increased profit at a lower operating margin.

Underlying operating profit decreased marginally by 1.4% to £65.7 million (2013: £66.6 million) principally reflecting the impact of the disposals referred to below.

Underlying profit before tax increased by 9.4% to £29.0 million (2013: £26.5 million) as a result of lower interest costs. Underlying basic earnings per share increased 10.8% to 4.1 pence per share (2013: 3.7 pence per share).

During the period we disposed of 286 pubs and similar properties, generating proceeds of £115.7 million, including the portfolio disposal of 202 pubs for £90 million announced in November 2013.

Net debt at the period end was £1,190 million (2013: £1,194 million). This includes £155 million of structured long-term lease financing which has the characteristics of property leasing whilst retaining the benefit of freehold ownership.

The majority of our debt is under a long-term secured fixed rate arrangement which has a very stable service profile. As a result, our net debt to EBITDA ratio is expected to reduce over time as this debt is repaid. The ratio of net debt before lease financing to EBITDA was 5.1 times at the period end (2013: 5.6 times); including lease financing the ratio was 5.9 times (2013: 6.1 times). It remains our intention to target a ratio of 5 times in the medium term.

We have announced our intention to close the Group's final salary pension scheme to future accrual from 30 September 2014. The scheme currently has 291 active members and has been closed to new members since 1998.

Strategy

Our Group strategic objectives remain sustainable growth, reduced leverage over time, and improved return on capital.

Our growth strategy for pubs is to build 25-30 family pub-restaurants each year, investing around £80-£90 million annually. The pub dining market has been evolving rapidly over recent years, and our response has been to develop our pub dining expertise and to balance food and alcohol sales, exploiting market trends.

We have pioneered investment in large, freehold, new-build pub-restaurants over the last four years and have significantly improved the overall quality of the pub estate. Marston's has successfully evolved into a national business and achieved transformational growth in food sales through selling pubs which are underperforming, as a result of location, demographic changes or lack of amenities, and turning our focus to building pub-restaurants. Today, Marston's is an operator of scale in the pub-restaurant market serving around 30 million main meals per annum across the country.

Through this development and the extension of franchise style agreements in Taverns, we aim for 85% of pub profits to be generated from managed and franchised pubs by 2016. We remain on track to deliver this.

In Brewing, we have generated consistent growth against a declining UK market with our focus on localness, quality and premium beers making us 'Number 1' in key sectors. Our market share is 18% in premium cask ale and 24% in bottled ale.

The key components of strategy are set out below.

Growth through investment in new pub-restaurants. We commenced the new-build programme in 2009, and by the end of this financial year we will have opened over 100 new pub-restaurants throughout the UK with our 100th site opening shortly in Dumfries, Scotland. These are high-turnover pubs with a food sales mix of over 50% which deliver high returns consistently above our internal targets. We remain on track to open at least 27 sites this year having opened 11 to date. We aim to open 25-30 pubs in 2015 and 2016, with sites also being acquired for longer-term development.

Organic development of community pubs. Franchise style agreements incentivise licensees in local pubs, improve value and consistency and provide good amenities whilst providing access to Marston's systems and economies of scale. We introduced franchise style agreements in 2009 to improve customer experience and eliminate the perceived drawbacks of tenancies. The model is now operated in 550 Taverns pubs with our aim being to convert most of the remainder by 2015.

Organic development of Leased pubs. These pubs benefit from entrepreneurial management and are let to independent operators under long-term leases. Ours is a high quality estate with average annual profits in excess of £80,000 per pub and annual rents of around £40,000 per pub.

Improving quality by selling smaller wet-led pubs. Ongoing reasons for disposal include local economic factors and higher standards demanded by customers. Our disposal proceeds targets, excluding the portfolio sale of 202 pubs, are £60-70 million in each of 2014 and 2015, mainly from Taverns.

Growth through increasing market share of the UK beer market. There is increasing demand for local beers, for different styles of beer and for premium beers which complement food. We are uniquely positioned to benefit from these trends and have achieved significant increases in sector share of premium cask ale in the on-trade and bottled ale in the off-trade in recent years. We also target growth in the export market and through our innovative fast**cask**™ technology.

Long-term debt financing of freehold assets. Our securitisation structure covers 80% of our pubs at a range of maturities to 2035, at fixed rates of interest. In 2013 and 2014 we have also put in place £155 million of low-cost, 35-40 year lease financing. This lease financing has no covenant reporting requirement and has the option to retain freehold ownership representing a 'sector first'. This is an effective way to help finance our investment in new-build pub-restaurants. The £46 million lease financing completed in 2014 has an initial gross yield of 4.56%, demonstrating the attractions of our pub development programme to lenders. Our use of short-term bank facilities is relatively small, minimising short-term refinancing requirements.

BUSINESS REVIEW

Destination and Premium – 356 pubs

Our 322 Destination pubs have a high food sales mix reflecting our focus on pub dining. Our 34 Premium pubs and bars include the branded Pitcher & Piano chain, and 'Revere' which has an independent feel focused on food and accommodation.

Total revenue increased by 12.4% to £173.9 million reflecting strong like-for-like sales growth and the contribution from 23 new pub-restaurants opened in 2013 and 11 opened in 2014.

Total like-for-like sales were 5.7% ahead of last year, including like-for-like food sales up by 5.8% and like-for-like wet sales growth of 4.9%. These growth rates contributed to a continuing trend of outperformance compared to the market outside London reflecting the good geographic location of our pubs.

The Destination estate targets the informal family dining market. Our strategy to invest in new pub-restaurants is focused on growth in demand for eating out and increased share of this market held by pubs.

Like-for-like growth was generated by increased customer numbers and higher spend per head. Main meals increased by 16% and food spend per head by 4% with encouraging signs of growth in starters, desserts, coffee and tea. Food now accounts for 58% of sales (2013: 57%).

Premium pubs and bars performed well, with revenue up 8.3% and operating profit up 12.3%. Pitcher & Piano benefited from recent refurbishments in Newcastle, Hitchin, Tunbridge Wells, Nottingham and Derby; and Revere now comprises eight pubs with the White Lion, Tenterden and Florentine, Sheffield opening in the first half year.

We are carefully reviewing the opportunity for lodges, with last year's investments in Chepstow, Aberystwyth, Redditch and Derby performing well and 11% like-for-like sales growth in room income in the 50 pubs with rooms. We expect to go on site in Dunbar later this year, and have also achieved planning consent for a site in Balloch (Loch Lomond) where we will commence construction in 2015.

Operating margin increased by 0.8% reflecting the stronger sales performance in the period and good cost management. We expect cost inflation to be relatively low for the remainder of 2014, with significant costs covered by fixed price contracts.

Underlying operating profit of £28.6 million was up 18.2% (2013: £24.2 million).

Capital investment for the period was £53.2 million, of which £41.0 million was on new pub-restaurants.

Taverns – 1,078 pubs

Our Taverns pubs are high quality community pubs operated through managed, franchised and tenanted business models with a focus on recruiting and retaining great licensees, as well as offering entertainment and amenities tailored for local customers. They have a relatively high wet sales mix (76%), although the importance of food sales is increasing.

The Taverns estate today comprises 134 community managed pubs, 545 franchised pubs, and 399 tenanted pubs, following the sale of 238 pubs during the year. By the end of 2015 we expect to have sold approximately 300 of these pubs and converted the remaining tenanted pubs to franchise style agreements, resulting in a core portfolio of approximately 800 high quality, community pubs operating principally under the franchise model.

The trading results of Taverns naturally reflect the disposal programme. As a result, total revenue of £113.2 million was slightly behind last year and underlying operating profit of £25.1 million was also behind last year (2013: £29.8 million). Excluding disposals revenue increased 9% including like-for-like sales growth of 3.8% in our managed and franchised pubs, and the contribution of the pubs converted to franchise style agreements over the last 18 months. Like-for-like tenanted profits were also ahead of last year.

Operating margin was 3.2% lower due to the increase in the number of franchised pubs.

The introduction of franchise style agreements in 2009 transformed our approach to running community pubs, enabling us to benefit from having increased control over standards and the customer offer, whilst motivating and incentivising licensees to engage with their communities and grow their businesses. The benefits are clear: pub revenue and profits have increased, licensee stability is high and the agreement is proving highly attractive to good calibre operators from outside the pub sector.

Capital investment was £7.9 million.

Leased – 341 pubs

Our Leased estate includes high quality distinctive pubs which benefit from a greater degree of independence and committed licensees. The leased model, with longer-term assignable agreements, attracts skilled entrepreneurs who build value through developing their own businesses in pubs which are increasingly targeting the pub-dining market.

Total revenue and operating profit was £25.2 million (2013: £26.3 million) and £12.5 million (2013: £13.1 million) respectively, again reflecting disposals. Excluding the impact of disposals, like-for-like profits were 3% ahead of last year.

In our Leased estate our primary objective is to help our business partners improve their offers to customers. We offer all lessees access to Marston's buying power and provide them with retail insight gained from our experiences in operating a national estate of managed and franchised pubs. We have a good pipeline of applicants to become partners with Marston's and licensee stability remains high at over 90%. We offer a wide range of lease agreements, including free-of-tie options.

Capital investment was £2.5 million.

Brewing

Total revenue increased by 3.5% to £62.0 million; operating margin was 0.1% higher than last year and underlying operating profit increased 4.0% to £7.8 million.

Overall ale volumes were slightly behind last year with sales to third party tenanted pub companies weaker as a consequence of disposals. However, our independent free trade performance was strong, including growth of 9% in premium ale volumes, and we continue to see growth in the off-trade, principally in bottled ale.

We maintained our sector leading position in both premium bottled ale and premium cask ale, with shares of 24% and 18% respectively.

Our focus on premium beers and localness is complemented by strong brand development. The Banks's brand benefited from growth in bottled beers and the launch of 'Sunbeam' in 2013. A Marston's Pedigree 'New World Pale Ale' has also been introduced this year with encouraging results, whilst Ringwood beers were rebranded in 2013 and have achieved good growth. We have also seen success with Marston's Oyster Stout, and our 'Revisionist' range of craft beers has generated interest in both the on-trade and the off-trade.

The new bottling line in Burton-upon-Trent was commissioned in January 2014. The successful implementation of this project enables us to increase capacity to meet our own growth targets, and to offer more flexibility to our growing number of contract customers.

Current trading

The second half year has started well, with like-for-like sales growth in Destination and Premium pubs of 4.1% for the 5 weeks to 10 May and 5.4% for the year-to-date. Taverns like-for-like sales growth of 3.0% and 3.7% was achieved for the same periods respectively. Leased profits have grown by an estimated 5% in the last five weeks, and in brewing, ale volumes are up 6%.

Outlook and dividend

After a good first half year and with strong current trading we expect to make further progress for the remainder of the year. We are therefore pleased to declare an interim dividend of 2.4 pence per share representing a 4.3% increase on last year.

Our year-on-year comparative performance in the second half year will reflect the good summer in 2013, balanced by some anticipated benefit from this year's World Cup. Looking further forward, improving economic indicators and changes to interest rates will have a significant influence on consumer confidence. Recent reductions in beer taxation and the introduction of employment incentives for young people and apprenticeships are positive for pubs; we continue to lobby for wider tax cuts and a considered response from government to the long-running BIS inquiry into the operation of the tenanted and leased model.

FINANCIAL REVIEW

Results for the 26 weeks to 5 April 2014

	Underlying revenue		**Underlying operating profit**		**Margin**	
	2014 £m	2013 £m	**2014 £m**	2013 £m	**2014 %**	2013 %
Destination and Premium	**173.9**	154.7	**28.6**	24.2	**16.4**	15.6
Taverns	**113.2**	117.2	**25.1**	29.8	**22.2**	25.4
Leased	**25.2**	26.3	**12.5**	13.1	**49.6**	49.8
Brewing	**62.0**	59.9	**7.8**	7.5	**12.6**	12.5
Group Services	**-**	-	**(8.3)**	(8.0)	**(2.2)**	(2.2)
Group	**374.3**	358.1	**65.7**	66.6	**17.6**	18.6

Underlying Group revenue was 4.5% up on last year, with improving trends in Destination and Premium, and Brewing. Underlying Group operating margin was 1.0% below last year driven by the increased mix of profits from our franchised business offset by higher margins in Destination and Premium pubs.

Underlying operating profit was £65.7 million, down 1.4% with underlying profit before tax up 9.4% at £29.0 million. Underlying earnings per share were 4.1 pence per share, up 10.8% on last year.

Operating profit was £9.9 million and the basic loss per share was 8.3 pence per share as a consequence of the non-underlying items described below.

Capital expenditure

Capital expenditure for the first half year was £72.2 million (2013: £78.7 million), reflecting continued investment in the new-build pub development programme and in franchise style agreements. The timing of capital expenditure has been weighted towards the first half year and, as previously disclosed, we expect capital expenditure to be around £140 million for the year as a whole (2013: £150.8 million).

Disposals

Proceeds of around £115.7 million have been received from the disposal of 286 pubs and similar properties.

Financing

The Group has a long-term securitisation of approximately £900 million and a £257.5 million bank facility to November 2018, of which £205 million was drawn at 5 April 2014. During the period the Group repurchased all the AB1 notes, which were the most expensive notes within the securitisation, at their par value of £80 million.

This year the Group has entered into a 40 year lease financing arrangement of £46 million, bringing total arrangements under this form of financing to £154.9 million as at 5 April 2014. This financing is a form of sale and leaseback agreement whereby the freehold reverts to the Group at the end of the term at nil cost, consistent with our preference for predominantly freehold asset tenure. The agreements range from 35 to 40 years and provide the Group with an extended debt maturity profile at attractive rates of interest. Unlike a traditional sale and leaseback, the associated liability is recognised as debt on the balance sheet due to the reversion of the freehold.

These facilities provide us with an appropriate level of financing headroom for the short and medium term, and with a structure that continues to provide operational flexibility. The Group has sufficient headroom on both the banking and securitisation covenants and has flexibility to transfer pubs between the two debt structures.

Net debt of £1,190 million at 5 April 2014 is slightly lower than last year. The level of net debt tends to be higher at the half year reflecting the phasing of capital expenditure and the seasonal earnings profile of the business.

Underlying interest charges decreased to £36.7 million due to the repurchase of the AB1 notes as described above and the re-profiling of certain swaps.

Pensions

The deficit on our final salary pension scheme is £0.2 million which is an improvement on the £5.1 million deficit at the year end.

Taxation

The underlying rate of taxation has decreased slightly to 20.0% in 2014 from 20.7% in 2013. This is below the standard rate of corporation tax primarily due to credits in respect of deferred tax on property.

Non-underlying items

There is a net non-underlying charge of £70.7 million after tax. This reflects a loss on disposal of £35.8 million in respect of the portfolio sale of 202 pubs together with a £1.2 million loss in respect of the ongoing management of these pubs. £37.5 million of revaluation surpluses from the portfolio sale were transferred from the revaluation reserve to retained earnings. In addition, there is a charge of £18.8 million relating to non-core estate disposal and reorganisation costs from the restructuring of our operations across the Group, a charge of £27.2 million relating to the buyback of the AB1 notes and a loss of £1.0 million in respect of the mark-to-market movement in the fair value of certain interest rate swaps. These charges are offset by a £0.2 million reduction in the interest accrued in respect of the Rank case and a credit of £13.1 million relating to the tax on non-underlying items.

Independent review report to Marston’s PLC

Report on the interim financial information

Our conclusion
We have reviewed the interim financial information, defined below, in the Interim Report of Marston’s PLC for the 26 weeks ended 5 April 2014. Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed
The interim financial information, which is prepared by Marston’s PLC, comprises:

- the Group balance sheet as at 5 April 2014;
- the Group income statement and Group statement of comprehensive income for the period then ended;
- the Group cash flow statement for the period then ended;
- the Group statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

The interim financial information included in the Interim Report has been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’, as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of interim financial information involves
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ‘Review of Interim Financial Information Performed by the Independent Auditor of the Entity’ issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial information.

Responsibilities for the interim financial information and the review

Our responsibilities and those of the Directors

The Interim Report, including the interim financial information, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the Company a conclusion on the interim financial information in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
15 May 2014
Birmingham

Notes:

(a) The maintenance and integrity of the Marston’s PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Interim Report

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report and Accounts.

The Directors of Marston's PLC are listed in the Marston's PLC Annual Report and Accounts for 5 October 2013 with the exception of the following changes in the period: Lord Hodgson retired from the Board on 21 January 2014. A list of current Directors is maintained on the Marston's PLC website: www.marstons.co.uk.

By order of the Board:

Ralph Findlay	Andrew Andrea
Chief Executive Officer	Chief Financial Officer
15 May 2014	15 May 2014

GROUP INCOME STATEMENT (UNAUDITED)

for the 26 weeks ended 5 April 2014

	Note	**26 weeks to 5 April 2014** Underlying items £m	Non-underlying items £m	Total £m	26 weeks to 30 March 2013 (Restated) Underlying items £m	Non-underlying items £m	Total £m	53 weeks to 5 October 2013 (Restated) Total £m
Revenue	2	**374.3**	**10.2**	**384.5**	358.1	-	358.1	782.9
Operating expenses*		**(308.6)**	**(66.0)**	**(374.6)**	(291.5)	(3.9)	(295.4)	(636.3)
Operating profit	2, 3	**65.7**	**(55.8)**	**9.9**	66.6	(3.9)	62.7	146.6
Finance costs	4	**(36.8)**	**(27.0)**	**(63.8)**	(40.2)	-	(40.2)	(84.3)
Finance income	4	**0.1**	**-**	**0.1**	0.1	-	0.1	1.7
Movement in fair value of interest rate swaps	4	**-**	**(1.0)**	**(1.0)**	-	0.2	0.2	3.5
Net finance costs	3, 4	**(36.7)**	**(28.0)**	**(64.7)**	(40.1)	0.2	(39.9)	(79.1)
Profit/(loss) before taxation		**29.0**	**(83.8)**	**(54.8)**	26.5	(3.7)	22.8	67.5
Taxation	3, 5	**(5.8)**	**13.1**	**7.3**	(5.5)	0.9	(4.6)	(10.6)
Profit/(loss) for the period attributable to equity shareholders		**23.2**	**(70.7)**	**(47.5)**	21.0	(2.8)	18.2	56.9
(Loss)/earnings per share:								
Basic (loss)/earnings per share	6			**(8.3)p**			3.2p	10.0p
Basic underlying earnings per share	6			**4.1p**			3.7p	12.0p
Diluted (loss)/earnings per share	6			**(8.3)p**			3.2p	9.9p
Diluted underlying earnings per share	6			**4.0p**			3.6p	11.9p

GROUP STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the 26 weeks ended 5 April 2014

	26 weeks to 5 April 2014 £m	26 weeks to 30 March 2013 (Restated) £m	53 weeks to 5 October 2013 (Restated) £m
(Loss)/profit for the period	**(47.5)**	18.2	56.9
Items of other comprehensive income that may subsequently be reclassified to profit or loss			
(Losses)/gains arising on cash flow hedges	**(7.7)**	(8.9)	24.9
Transfers to the income statement on cash flow hedges	**33.5**	12.2	24.7
Tax on items that may subsequently be reclassified to profit or loss	**(5.2)**	(0.8)	(15.0)
	20.6	2.5	34.6
Items of other comprehensive income that will not be reclassified to profit or loss			
Remeasurement of retirement benefits	**(3.1)**	(6.2)	5.9
Unrealised surplus on revaluation of properties	**-**	1.1	2.1
Reversal of past revaluation surplus	**(2.9)**	-	-
Tax on items that will not be reclassified to profit or loss	**1.8**	2.6	14.1
	(4.2)	(2.5)	22.1
Other comprehensive income for the period	**16.4**	-	56.7
Total comprehensive (expense)/income for the period	**(31.1)**	18.2	113.6

* During the period the Group disposed of a portfolio of 202 pubs and subsequently entered into a four year lease and five year management agreement in respect thereof. The loss on disposal was £35.8 million and revaluation surpluses of £37.5 million were transferred from the revaluation reserve to retained earnings upon disposal, giving a net impact of £1.7 million. Further detail is provided in note 3 to the financial statements.

GROUP CASH FLOW STATEMENT (UNAUDITED)

for the 26 weeks ended 5 April 2014

	Note	**26 weeks to 5 April 2014 £m**	26 weeks to 30 March 2013 £m	53 weeks to 5 October 2013 (Restated) £m
Operating activities				
Underlying operating profit		**65.7**	66.6	168.2
Depreciation and amortisation		**18.3**	19.0	35.8
Underlying EBITDA		**84.0**	85.6	204.0
Non-underlying operating items	3	**(55.8)**	(3.9)	(20.3)
EBITDA		**28.2**	81.7	183.7
Working capital movement		**(19.4)**	0.8	6.5
Non-cash movements		**48.7**	(3.5)	2.4
Difference between defined benefit pension contributions paid and amounts charged		**(8.2)**	(8.7)	(15.1)
Income tax paid		**(3.4)**	(1.7)	(8.1)
Net cash inflow from operating activities		**45.9**	68.6	169.4
Investing activities				
Interest received		**0.2**	0.3	0.5
Sale of property, plant and equipment and assets held for sale		**115.7**	17.5	44.7
Purchase of property, plant and equipment and intangible assets		**(72.2)**	(78.7)	(150.8)
Movement in other non-current assets		**0.3**	0.7	1.5
Net cash inflow/(outflow) from investing activities		**44.0**	(60.2)	(104.1)
Financing activities				
Equity dividends paid		**(23.4)**	(22.2)	(35.3)
Interest paid		**(39.4)**	(37.5)	(78.3)
Arrangement costs of bank facilities		**(1.5)**	-	(0.1)
Arrangement costs of other lease related borrowings		**(3.6)**	(6.3)	(7.0)
Swap termination costs		**(25.0)**	-	-
Proceeds of ordinary share capital issued		**0.1**	0.1	1.1
Repayment of securitised debt		**(91.7)**	(11.0)	(22.7)
Advance of bank loans		**14.0**	25.0	16.0
Capital element of finance leases repaid		**-**	(0.3)	(0.3)
Advance of other lease related borrowings		**49.9**	86.8	94.6
Advance of other borrowings		**120.0**	-	-
Net cash (outflow)/inflow from financing activities		**(0.6)**	34.6	(32.0)
Net increase in cash and cash equivalents	8	**89.3**	43.0	33.3

GROUP BALANCE SHEET (UNAUDITED)

as at 5 April 2014

	Note	**5 April 2014 £m**	30 March 2013 £m	5 October 2013 £m
ASSETS				
Non-current assets				
Goodwill		**224.2**	224.2	224.2
Other intangible assets		**24.4**	23.1	24.1
Property, plant and equipment	7	**1,938.5**	2,029.9	2,063.6
Deferred tax assets		**41.3**	69.5	47.3
Other non-current assets		**12.5**	13.6	12.8
		2,240.9	2,360.3	2,372.0
Current assets				
Inventories		**22.8**	23.1	21.5
Trade and other receivables		**71.6**	63.8	69.0
Derivative financial instruments		**3.4**	10.5	6.8
Cash and cash equivalents*	8	**183.4**	103.8	94.1
		281.2	201.2	191.4
Assets held for sale		**77.2**	72.7	59.9
LIABILITIES				
Current liabilities				
Borrowings*	8	**(143.3)**	(22.0)	(22.7)
Derivative financial instruments		**(20.2)**	(10.7)	(6.8)
Trade and other payables		**(160.7)**	(161.9)	(174.3)
Current tax liabilities		**(19.7)**	(24.6)	(25.9)
		(343.9)	(219.2)	(229.7)
Non-current liabilities				
Borrowings	8	**(1,229.6)**	(1,276.0)	(1,262.4)
Derivative financial instruments		**(93.0)**	(184.0)	(134.6)
Retirement benefit obligations		**(0.2)**	(22.8)	(5.1)
Deferred tax liabilities		**(128.4)**	(156.9)	(135.5)
Other non-current liabilities		**(3.5)**	(0.6)	(0.5)
Provisions for other liabilities and charges		**(13.0)**	(16.5)	(13.6)
		(1,467.7)	(1,656.8)	(1,551.7)
Net assets		**787.7**	758.2	841.9
Shareholders' equity				
Equity share capital		**44.4**	44.3	44.4
Share premium account		**333.9**	332.9	333.8
Revaluation reserve		**536.4**	561.8	575.3
Capital redemption reserve		**6.8**	6.8	6.8
Hedging reserve		**(74.4)**	(127.1)	(95.0)
Own shares		**(130.9)**	(130.9)	(130.9)
Retained earnings		**71.5**	70.4	107.5
Total equity		**787.7**	758.2	841.9

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

GROUP STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the 26 weeks ended 5 April 2014

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 6 October 2013	44.4	333.8	575.3	6.8	(95.0)	(130.9)	107.5	841.9
Loss for the period	-	-	-	-	-	-	(47.5)	(47.5)
Remeasurement of retirement benefits	-	-	-	-	-	-	(3.1)	(3.1)
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	0.7	0.7
Losses on cash flow hedges	-	-	-	-	(7.7)	-	-	(7.7)
Transfers to the income statement on cash flow hedges	-	-	-	-	33.5	-	-	33.5
Tax on hedging reserve movements	-	-	-	-	(5.2)	-	-	(5.2)
Property impairment	-	-	(2.9)	-	-	-	-	(2.9)
Deferred tax on properties	-	-	1.1	-	-	-	-	1.1
Total comprehensive (expense)/income	-	-	(1.8)	-	20.6	-	(49.9)	(31.1)
Share-based payments	-	-	-	-	-	-	0.1	0.1
Tax on share-based payments	-	-	-	-	-	-	0.1	0.1
Issue of shares	-	0.1	-	-	-	-	-	0.1
Disposal of properties	-	-	(41.1)	-	-	-	41.1	-
Tax on disposal of properties	-	-	4.0	-	-	-	(4.0)	-
Dividends paid	-	-	-	-	-	-	(23.4)	(23.4)
Total transactions with owners	-	0.1	(37.1)	-	-	-	13.9	(23.1)
At 5 April 2014	**44.4**	**333.9**	**536.4**	**6.8**	**(74.4)**	**(130.9)**	**71.5**	**787.7**

for the 26 weeks ended 30 March 2013

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings (Restated) £m	Total equity (Restated) £m
At 30 September 2012	44.3	332.8	560.4	6.8	(129.6)	(130.9)	78.2	762.0
Profit for the period	-	-	-	-	-	-	18.2	18.2
Remeasurement of retirement benefits	-	-	-	-	-	-	(6.2)	(6.2)
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	1.5	1.5
Losses on cash flow hedges	-	-	-	-	(8.9)	-	-	(8.9)
Transfers to the income statement on cash flow hedges	-	-	-	-	12.2	-	-	12.2
Tax on hedging reserve movements	-	-	-	-	(0.8)	-	-	(0.8)
Property revaluation	-	-	1.1	-	-	-	-	1.1
Deferred tax on properties	-	-	1.1	-	-	-	-	1.1
Total comprehensive income	-	-	2.2	-	2.5	-	13.5	18.2
Share-based payments	-	-	-	-	-	-	0.1	0.1
Issue of shares	-	0.1	-	-	-	-	-	0.1
Disposal of properties	-	-	(0.8)	-	-	-	0.8	-
Dividends paid	-	-	-	-	-	-	(22.2)	(22.2)
Total transactions with owners	-	0.1	(0.8)	-	-	-	(21.3)	(22.0)
At 30 March 2013	**44.3**	**332.9**	**561.8**	**6.8**	**(127.1)**	**(130.9)**	**70.4**	**758.2**

NOTES

1 BASIS OF PREPARATION OF INTERIM FINANCIAL INFORMATION

This interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the interim financial information as applied in the Group's audited financial statements for the 53 weeks ended 5 October 2013, with the exception of new standards and interpretations that were only applicable from the beginning of the current financial year, and a new presentation of non-underlying items (note 3).

The audited financial statements for the 53 weeks ended 5 October 2013 contain details of the new standards and interpretations now applicable to the Group. The impact of these new standards and interpretations is as follows:

- The adoption of IAS 19 'Employee Benefits' (revised 2011) requires the Group to recognise a single net interest component in respect of its defined benefit pension plan, calculated by applying the discount rate to the net defined benefit liability/asset. In addition to this, the interest on the service cost is now required to be included as part of the service cost itself rather than forming part of the interest cost. This amended standard applies retrospectively and as such the comparatives for the 26 weeks ended 30 March 2013 and the 53 weeks ended 5 October 2013 have been restated. Details of the adjustments made are given in note 13.

- The adoption of IFRS 13 'Fair Value Measurement' requires the Group to make certain disclosures in its interim report in respect of the fair value of financial instruments. IFRS 13 forms a single source of guidance in respect of fair value measurement, providing a definition of fair value, supplying guidance on how it is to be determined and introducing consistent disclosure requirements. IFRS 13 does not prescribe when fair value measurement is required; rather it provides a consistent basis for how to measure fair value when other standards require it. The additional disclosures required by IFRS 13 are provided in note 9.

- The adoption of the amendment to IAS 34 'Interim Financial Reporting' requires the Group to disclose total liabilities by operating segment if such amounts are regularly provided to the chief operating decision maker and if there has been a material change from the amount disclosed in the last annual financial statements. This disclosure is included in note 2 below.

The financial information for the 53 weeks ended 5 October 2013 is extracted from the audited accounts for that period, which have been delivered to the Registrar of Companies. The Auditors' report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim financial information for the 26 weeks ended 5 April 2014 and the comparatives to 30 March 2013 are unaudited, but have been reviewed by the Auditors.

The Group does not consider that any standards or interpretations issued by the International Accounting Standards Board, but not yet applicable, will have a significant impact on the financial statements for the 52 weeks ending 4 October 2014.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing this interim financial information.

2 SEGMENT REPORTING

Underlying revenue by segment	**5 April 2014 £m**	30 March 2013 £m
Destination and Premium	**173.9**	154.7
Taverns	**113.2**	117.2
Leased	**25.2**	26.3
Brewing	**62.0**	59.9
Group Services	**-**	-
Underlying revenue	**374.3**	358.1
Non-underlying items	**10.2**	-
Revenue	**384.5**	358.1

Underlying operating profit by segment	**5 April 2014 £m**	30 March 2013 (Restated) £m
Destination and Premium	**28.6**	24.2
Taverns	**25.1**	29.8
Leased	**12.5**	13.1
Brewing	**7.8**	7.5
Group Services	**(8.3)**	(8.0)
Underlying operating profit	**65.7**	66.6
Non-underlying operating items	**(55.8)**	(3.9)
Operating profit	**9.9**	62.7
Net finance costs	**(64.7)**	(39.9)
(Loss)/profit before taxation	**(54.8)**	22.8

Underlying operating profit is a key measure of profitability used by the chief operating decision maker.

2 SEGMENT REPORTING (CONTINUED)

	Segment assets		Segment liabilities	
	5 April 2014	30 March 2013	**5 April 2014**	30 March 2013
	£m	£m	**£m**	£m
Destination and Premium	**1,073.3**	1,020.3	**(73.1)**	(93.1)
Taverns	**755.7**	858.8	**(34.1)**	(19.2)
Leased	**323.7**	351.9	**(8.3)**	(10.9)
Brewing	**175.3**	179.2	**(37.6)**	(31.9)
Group Services	**43.2**	40.2	**(24.1)**	(23.9)
	2,371.2	2,450.4	**(177.2)**	(179.0)
Unallocated	**228.1**	183.8	**(1,634.4)**	(1,697.0)
Total per the balance sheet	**2,599.3**	2,634.2	**(1,811.6)**	(1,876.0)

Unallocated comprises net debt, tax, derivatives and retirement benefits.

3 NON-UNDERLYING ITEMS

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

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

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

	5 April 2014	30 March 2013
	£m	£m
Exceptional operating items		
Non-core estate disposal and reorganisation costs	**18.8**	3.9
Loss on portfolio disposal of pubs	**35.8**	-
	54.6	3.9
Other adjusting operating items		
Results in respect of the ongoing management of pubs in the portfolio disposal	**1.2**	-
	1.2	-
Non-underlying operating items	**55.8**	3.9
Exceptional non-operating items		
Interest on Rank refunds	**(0.2)**	-
Buyback of securitised debt and associated costs	**27.2**	-
Movement in fair value of interest rate swaps	**1.0**	(0.2)
	28.0	(0.2)
Total non-underlying items	**83.8**	3.7

Non-core estate disposal and reorganisation costs
During the period ended 5 October 2013 the Group restructured both its pub estate and its operating segments. Costs in respect of this restructuring were incurred in both the current and prior period. The exceptional charge of £18.8 million (2013: £3.9 million) includes an amount of £8.8 million (2013: £nil) in respect of the impairment of non-core properties.

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

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

	5 April 2014
	£m
Revenue	**10.2**
Operating expenses	**(11.4)**
	(1.2)

3 NON-UNDERLYING ITEMS (CONTINUED)

Rank refunds
In previous periods the Group received refunds totalling £5.9 million from HM Revenue & Customs (HMRC). This followed Tribunal/Court of Appeal hearings involving The Rank Group Plc ('Rank'), which concluded that there had been a breach of fiscal neutrality in the treatment of gaming machine income as liable to UK VAT. HMRC issued protective assessments to recover the repayments pending the result of further Court hearings. On 30 October 2013 the Court of Appeal found in favour of HMRC and subsequent to the balance sheet date the Group has repaid the refunds of £5.9 million plus interest of £0.3 million thereon. In the period ended 5 October 2013 the Group had recognised a provision for the £5.9 million repayment and interest of £0.5 million. As such there was a reduction in the interest accrual of £0.2 million in the current period.

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

Movement in fair value of interest rate swaps
The Group's interest rate swaps are revalued to fair value at each balance sheet date. The movement in fair value of interest rate swaps which are not designated as part of a hedge relationship, and the ineffective portion of the movement in fair value of interest rate swaps which are accounted for as hedging instruments, are both recognised in the income statement. The net loss of £1.0 million (2013: gain of £0.2 million) is shown as an exceptional item. In addition to this, a gain of £1.1 million (2013: £3.3 million) has been recognised in the hedging reserve, in relation to the effective portion of the movement in fair value of interest rate swaps which are accounted for as hedging instruments.

Impact of taxation
The current tax credit relating to the above non-underlying items amounts to £6.3 million (2013: £0.4 million). The deferred tax credit relating to the above non-underlying items amounts to £6.8 million (2013: £0.5 million).

4 FINANCE COSTS AND INCOME

	5 April 2014 £m	30 March 2013 (Restated) £m
Finance costs		
Bank borrowings	**6.0**	7.4
Securitised debt	**25.9**	30.4
Finance leases	**0.6**	0.3
Other lease related borrowings	**3.5**	0.3
Net finance cost in respect of retirement benefits	**0.2**	0.8
Other interest payable	**0.6**	1.0
	36.8	40.2
Non-underlying finance costs		
Interest on Rank refunds	**(0.2)**	-
Buyback of securitised debt and associated costs	**27.2**	-
	27.0	-
Total finance costs	**63.8**	40.2
Finance income		
Deposit and other interest receivable	**(0.1)**	(0.1)
Total finance income	**(0.1)**	(0.1)
Movement in fair value of interest rate swaps		
Gain on movement in fair value of interest rate swaps	**(3.4)**	(3.4)
Loss on movement in fair value of interest rate swaps	**4.4**	3.2
	1.0	(0.2)
Net finance costs	**64.7**	39.9

NOTES

5 TAXATION

The underlying taxation charge for the 26 weeks ended 5 April 2014 has been calculated by applying an estimate of the underlying effective tax rate for the 52 weeks ending 4 October 2014 of approximately 20.0% (26 weeks ended 30 March 2013: approximately 20.7%).

	5 April 2014 £m	30 March 2013 (Restated) £m
Current tax	**(2.1)**	4.4
Deferred tax	**(5.2)**	0.2
	(7.3)	4.6

The taxation (credit)/charge includes a current tax credit of £6.3 million (2013: £0.4 million) and a deferred tax credit of £6.8 million (2013: £0.5 million) relating to the tax on non-underlying items (note 3).

6 EARNINGS PER ORDINARY SHARE

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

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

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

	5 April 2014		30 March 2013 (Restated)	
	Earnings £m	**Per share amount p**	Earnings £m	Per share amount p
Basic (loss)/earnings per share	**(47.5)**	**(8.3)**	18.2	3.2
Diluted (loss)/earnings per share*	**(47.5)**	**(8.3)**	18.2	3.2
Underlying earnings per share figures				
Basic underlying earnings per share	**23.2**	**4.1**	21.0	3.7
Diluted underlying earnings per share	**23.2**	**4.0**	21.0	3.6

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

	5 April 2014 m	30 March 2013 m
Basic weighted average number of shares	**570.7**	569.2
Dilutive options	**6.1**	6.8
Diluted weighted average number of shares	**576.8**	576.0

7 PROPERTY, PLANT AND EQUIPMENT

	£m
Net book amount at 6 October 2013	2,063.6
Additions	72.9
Net transfers to assets held for sale and disposals	(174.5)
Depreciation, revaluation and other movements*	(23.5)
Net book amount at 5 April 2014	**1,938.5**

	£m
Net book amount at 30 September 2012	1,995.6
Additions	104.5
Net transfers to assets held for sale and disposals	(53.7)
Depreciation, revaluation and other movements*	(16.5)
Net book amount at 30 March 2013	**2,029.9**

* Included within depreciation, revaluation and other movements is a revaluation decrease of £5.8 million (2013: increase of £2.0 million).

NOTES

8 NET DEBT

Analysis of net debt	5 April 2014 £m	Cash flow £m	Non-cash movements and deferred issue costs £m	5 October 2013 £m
Cash and cash equivalents				
Cash at bank and in hand	**183.4**	89.3	-	94.1
	183.4	89.3	-	94.1
Debt due within one year				
Bank loans	**0.8**	-	-	0.8
Securitised debt	**(24.1)**	11.7	(12.4)	(23.4)
Finance leases	**(0.1)**	-	-	(0.1)
Other lease related borrowings	**0.1**	-	0.1	-
Other borrowings	**(120.0)**	(120.0)	-	-
	(143.3)	(108.3)	(12.3)	(22.7)
Debt due after one year				
Bank loans	**(202.1)**	(14.0)	1.5	(189.6)
Securitised debt	**(872.5)**	80.0	11.7	(964.2)
Finance leases	**(20.8)**	-	-	(20.8)
Other lease related borrowings	**(134.1)**	(49.9)	3.5	(87.7)
Preference shares	**(0.1)**	-	-	(0.1)
	(1,229.6)	16.1	16.7	(1,262.4)
Net debt	**(1,189.5)**	(2.9)	4.4	(1,191.0)

Bank loans due within one year represent unamortised issue costs expected to be charged to the income statement within 12 months of the balance sheet date. Bank loans due after one year represent amounts drawn down under the Group's revolving credit facility, net of unamortised issue costs expected to be charged to the income statement after 12 months from the balance sheet date.

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

Other borrowings represent amounts drawn down under the securitisation's liquidity facility. During the current period the facility's provider, the Royal Bank of Scotland Group plc, had its short-term credit rating downgraded below the minimum prescribed in the facility agreement and as such the Group exercised its entitlement to draw the full amount of the facility and hold it in a designated bank account. The corresponding balance of £120.0 million (at 5 October 2013: £nil) held in this bank account is included within cash and cash equivalents. The amounts drawn down can only be used for the purpose of meeting the securitisation's debt service obligations should there ever be insufficient funds available from operations to meet such payments. As such these amounts are considered to be restricted cash.

Included within cash at bank and in hand is an amount of £2.6 million (at 5 October 2013: £2.6 million), which relates to a letter of credit with Royal Sun Alliance Insurance, an amount of £1.0 million (at 5 October 2013: £0.5 million), which relates to a letter of credit with Aviva, and an amount of £8.4 million (at 5 October 2013: £8.5 million), which relates to collateral held in the form of cash deposits. These amounts are also considered to be restricted cash.

In addition, any other cash held in connection with the securitised business is governed by certain restrictions under the covenants associated with the securitisation.

Net debt does not include other financial liabilities such as trade and other payables.

Reconciliation of net cash flow to movement in net debt	5 April 2014 £m	30 March 2013 £m
Increase in cash and cash equivalents in the period	**89.3**	43.0
Cash inflow from movement in debt	**(92.2)**	(100.5)
Change in debt resulting from cash flows	**(2.9)**	(57.5)
Non-cash movements and deferred issue costs	**4.4**	(15.6)
Movement in net debt in the period	**1.5**	(73.1)
Net debt at beginning of the period	**(1,191.0)**	(1,121.1)
Net debt at end of the period	**(1,189.5)**	(1,194.2)

Reconciliation of net debt before lease financing to net debt	5 April 2014 £m	30 March 2013 £m
Cash and cash equivalents	**183.4**	103.8
Bank loans	**(201.3)**	(197.5)
Securitised debt	**(896.6)**	(999.0)
Other borrowings	**(120.0)**	-
Preference shares	**(0.1)**	(0.1)
Net debt before lease financing	**(1,034.6)**	(1,092.8)
Finance leases	**(20.9)**	(20.9)
Other lease related borrowings	**(134.0)**	(80.5)
Net debt	**(1,189.5)**	(1,194.2)

NOTES

9 FINANCIAL INSTRUMENTS

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

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

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

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

	5 April 2014				5 October 2013			
Assets as per the balance sheet	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	**-**	**3.4**	**-**	**3.4**	-	6.8	-	6.8

	5 April 2014				5 October 2013			
Liabilities as per the balance sheet	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	**-**	**113.2**	**-**	**113.2**	-	141.4	-	141.4

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

The Level 2 fair values of derivative financial instruments have been obtained using a market approach and reflect the estimated amount the Group would expect to pay or receive on termination of the instruments. The Group obtains such valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

The fair values of all non-derivative financial instruments are equal to their book values, with the exception of borrowings. The carrying amount less impairment provision of trade receivables, other receivables and trade loans, and the carrying amount of trade payables and other payables, are assumed to approximate their fair values. The carrying amount (excluding unamortised issue costs) and the fair value of the Group's borrowings are as follows:

	Carrying amount		**Fair value**	
	5 April 2014 £m	5 October 2013 £m	**5 April 2014 £m**	5 October 2013 £m
Unsecured bank borrowings	**205.0**	191.0	**205.0**	191.0
Securitised debt	**903.9**	995.6	**918.7**	971.5
Finance leases	**20.9**	20.9	**20.9**	20.9
Other lease related borrowings	**144.5**	94.6	**144.5**	94.6
Other borrowings	**120.0**	-	**120.0**	-
Preference shares	**0.1**	0.1	**0.1**	0.1
	1,394.4	1,302.2	**1,409.2**	1,278.1

10 MATERIAL TRANSACTIONS

Additional contributions of £6.3 million (26 weeks ended 30 March 2013: £6.9 million) were made in the period to the Marston's PLC Pension and Life Assurance Scheme.

There were no significant related party transactions during the period (26 weeks ended 30 March 2013: none).

11 CAPITAL COMMITMENTS

Capital expenditure authorised and committed at the period end but not provided for in this interim financial information was £15.4 million (at 5 October 2013: £10.5 million).

12 CONTINGENT LIABILITIES

There have been no material changes to contingent liabilities since 5 October 2013.

13 RETIREMENT BENEFITS

The Group has retrospectively adopted IAS 19 'Employee Benefits' (revised 2011) in the current period. The revised standard requires the Group to recognise a single net interest component in respect of its defined benefit pension plan, calculated by applying the discount rate to the net defined benefit liability/asset. In addition to this, the interest on the service cost is now required to be included as part of the service cost itself rather than forming part of the interest cost.

The impact of the retrospective application of this new standard on the Group income statement, Group statement of comprehensive income, Group cash flow statement and earnings per share for the 26 weeks ended 30 March 2013 and for the 53 weeks ended 5 October 2013 are set out below. There was no impact on the Group balance sheet.

13 RETIREMENT BENEFITS (CONTINUED)

Impact on the Group income statement	30 March 2013 £m	5 October 2013 £m
Increase in current service cost in respect of retirement benefits	-	(0.1)
Increase in net finance cost in respect of retirement benefits	(1.1)	(2.2)
Decrease in taxation charge	0.2	0.6
	(0.9)	(1.7)

Impact on the Group statement of comprehensive income	30 March 2013 £m	5 October 2013 £m
Decrease in profit for the period	(0.9)	(1.7)
Increase in remeasurement of retirement benefits	1.1	2.3
Decrease in tax on remeasurement of retirement benefits	(0.2)	(0.6)
	-	-

Impact on the Group cash flow statement	30 March 2013 £m	5 October 2013 £m
Decrease in underlying operating profit for the period	-	(0.1)
Increase in difference between defined benefit pension contributions paid and amounts charged	-	0.1
	-	-

Impact on earnings per share	30 March 2013 p	5 October 2013 p
Decrease in basic earnings per share	(0.2)	(0.3)
Decrease in basic underlying earnings per share	(0.1)	(0.3)
Decrease in diluted earnings per share	(0.1)	(0.3)
Decrease in diluted underlying earnings per share	(0.2)	(0.3)

14 SEASONALITY OF INTERIM OPERATIONS

The Group's financial results and cash flows have, historically, been subject to seasonal trends between the first and second half of the financial year. Traditionally, the second half of the financial year sees higher revenue and profitability, as a result of better weather conditions.

There is no assurance that this trend will continue in the future.

15 EVENTS AFTER THE BALANCE SHEET DATE

An interim dividend of £13.7 million, being 2.40p (2013: 2.30p) per ordinary share, has been proposed and will be paid on 8 July 2014 to those shareholders on the register at the close of business on 30 May 2014. This interim financial information does not reflect this dividend payable.

16 PRINCIPAL RISKS AND UNCERTAINTIES

The Group set out on pages 24 and 25 of its 2013 Annual Report and Accounts the principal risks and uncertainties that could impact its performance; these remain unchanged since the Annual Report and Accounts were published and are expected to remain unchanged for the second half of the financial year. These risks and uncertainties are summarised as follows:

- Future economic uncertainty leading to a fall in consumer confidence;
- Investment plans not meeting return targets;
- Reduction in the availability of quality sites for investment;
- Breach of financial covenants;
- Breakdown of internal accounting controls leading to material financial misstatement;
- External interference in the computer system (cyber risk);
- Compliance with the Digital Economy Act 2010 and security of data;
- Disaster recovery of backed up data taking longer than four hours;
- Failure to attract and retain the best people; and
- Increased regulation significantly affecting business operations.

17 INTERIM RESULTS

The interim results were approved by the Board on 15 May 2014.

18 COPIES

Copies of these results are available on the Marston's PLC website (www.marstons.co.uk) and on request from The Company Secretary, Marston's PLC, Marston's House, Brewery Road, Wolverhampton, WV1 4JT.