Marston's PLC
Annual Report
2008

Above: Pitcher & Piano, Nottingham.

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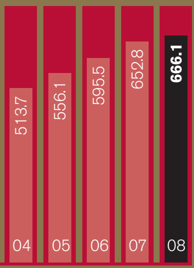
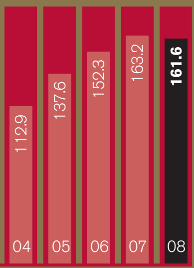
FINANCIAL HIGHLIGHTS

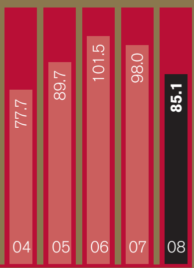
666.1
Revenue
£m



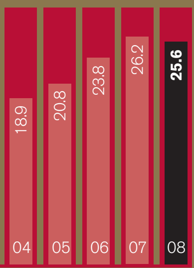
161.6
Underlying* operating profit
£m



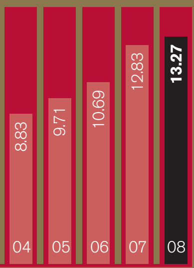
85.1
Underlying* profit before tax
£m



25.6
Underlying* earnings per share
pence



13.27
Dividend per share
pence

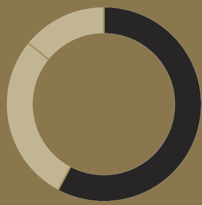


* The underlying results reflect the performance of the Group before exceptional items. The Directors consider that these figures provide a useful indication of the underlying performance of the Group.

Earnings and dividends per share have been restated to reflect the 4-for-1 share split in January 2007.

2004 is reported under UK GAAP. Subsequent years have been reported under IFRS.

58%
Group Revenue share



MORE ABOUT MARSTON'S
INNS AND TAVERNS
ON PAGE 12

28%
Group Revenue share

MORE ABOUT MARSTON'S
PUB COMPANY
ON PAGE 14

14%
Group Revenue share

MORE ABOUT MARSTON'S
BEER COMPANY
ON PAGE 16

GROUP AT A GLANCE

Marston's Inns and Taverns is the managed pub division of Marston's PLC with 506 pubs and bars spread across England and Wales.

The majority of our estate comprises community and food-led pubs with a strong local customer base and an emphasis on value and quality offered through a range of operating formats. Our outlets include the exciting bar-restaurants Pitcher & Piano and Bluu. We are investing consistently in our food skills development and we lead a team who are dedicated to delivering excellent service at great value prices. In addition to food and drink, we now have over 50 pubs offering quality accommodation with an online booking facility at **www.marstonsinns.co.uk.**

Our trading formats include:

Marston's Tavern Table — comfortable surroundings and a warm welcome in a great British pub restaurant.

Marston's Two for One great food, irresistible prices and no compromises — all the comforts of home without the washing up!

Pitcher & Piano/Bluu — passion for the best service, the most outstanding premium drinks and great food, all delivered within a stunning atmosphere.

PUB COMPANY

Marston's Pub Company is the trading division of Marston's PLC with over 1,700 tenanted and leased pubs under its management. Our income is derived from the sale of beers, wines, spirits and soft drinks to the operators of the public houses, rental income from these properties and a shared income from gaming machines operated within the pubs. The self employed entrepreneurs who run the pubs derive their income from food, accommodation and the resale of drinks purchased from the Company. These operators rent the premises for 5 to 30 years.

Marston's Pub Company favours a simple and straightforward open approach to running a pub based on our principle of "Sustainable Growth, Uncompromising Standards".

We believe in building the best possible business relationships to help our licensees celebrate their successes and give them help when they need it to run their businesses in a responsible and sustainable manner. We are proud to be at the forefront of technology a nd customer services offered through My Marston's Online and we also offer a cost-effective online payroll service.

BEER COMPANY

Marston's Beer Company is the brewing division of Marston's PLC, operating five breweries across the country:

- Marston's Brewery, Burton upon Trent where our famous national flagship brand Marston's Pedigree is brewed along with other beers such as Old Empire IPA and Burton Bitter.
- Park Brewery, Wolverhampton where West Midlands favourites such as Banks's Bitter and Banks's Original are produced.
- Castle Brewery at Cockermouth in the Lake District, famous for such Jennings beers as Cumberland Ale, Cocker Hoop and Sneck Lifter.
- Ringwood Brewery, Hampshire known for its premium cask ale range including Best Bitter, Fortyniner and Old Thumper.
- Wychwood Brewery, Oxfordshire is home to the legendary Hobgoblin, the Brakspear ale range and a comprehensive seasonal ale calendar. It is also the UK's No 1 producer of organic beer.

We use only the finest natural ingredients and craftsmanship available to produce a range of beers for you to enjoy. We don't compromise and take the quality of our beer very seriously. In the growing take home market we are the UK's No 1 premium bottled ale supplier.

CHAIRMAN'S STATEMENT

Results

These results demonstrate the resilience of our business model in a difficult year for the industry. Continued investment in pub standards and in the marketing of our brands has helped our three trading divisions to make progress in this challenging market.

Turnover increased by 2.0% to £666.1 million (2007: £652.8 million) notwithstanding the smoking ban, the deteriorating economic climate and poor summer weather. Underlying operating profit of £161.6 million was 1.0% below last year (2007: £163.2 million) in the face of significant cost pressures.

Profit before taxation and exceptional items of £85.1 million (2007: £98.0 million) included an increase of £11.3 million in interest costs. The purchase of 8.7 million shares in December 2007 at a cost of £29.2 million completed the share buy-back programme initiated in early 2007. Profit before taxation after exceptional items was £76.2 million (2007: £94.7 million).

Underlying basic earnings per share of 25.6 pence was 2.3% below last year (2007: 26.2 pence).

Net debt at the year-end was £1,268.1 million and interest cover was 2.1 times (2007: 2.5 times). The net cash inflow from operating activities increased to £172.4 million (2007: £156.0 million).

Maintaining value-for-money for our consumers and the continuing promotion of a sustainable and fair basis for dealing with our tenants and lessees, contributed to our performance.

Over the last five years we have built over 50 new pubs and bars, mainly on greenfield sites; integrated successfully several acquisitions, including Eldridge Pope and Ringwood Brewery in 2007 and Wychwood Brewery (part of the acquisition of Refresh) in 2008; and sold over 400 pubs with limited growth prospects. We have extended our trading geography throughout England and Wales and have improved significantly the quality of our pub estate.

Dividend

The Board proposes an unchanged final dividend of 8.47 pence per share, bringing the total for the year to 13.27 pence per share, an increase of 3.4% compared to the full year dividend of 12.83 pence per share in 2007. The dividend has therefore increased by 24.1% over the last two years and by an average of over 12% per annum over the last 30 years.

Our policy is to maintain a dividend cover ratio of around two times over the medium term although the level of cover in any one year may vary.

The final dividend, if approved, will be paid on 30 January 2009 to those shareholders on the register at the close of business on 19 December 2008.

1

Strategy

The Group's strategic objectives are described in the Business Review. At the heart of our strategy is strong consumer appeal, leading to sound cash generation; investment of capital with good, sustainable returns; and tight management of costs.

Our financing strategy is to match our substantially freehold pub estate with long term debt at fixed rates of interest. To that end we completed a £330 million securitisation in November 2007. We have no financing requirements until August 2010 when our £400 million bank facility is due for renewal.

Cash generation remains a management priority. We expect net debt to reduce in the current financial year as a consequence of reducing capital expenditure by around £60 million and continued disposal of smaller pubs.

The Board

During the year we welcomed Neil Goulden as a Non-executive Director. Neil is shortly to become Chairman of The Gala Coral Group, of which he is currently Chief Executive. He was formerly Chief Executive of Allied Leisure plc (1995 – 2000), prior to which he held senior positions at Compass Group PLC and Ladbrokes PLC.

Peter Lipscomb retired from the Board in January 2008 and we thank him for his significant contribution to the development of the Group since he joined in 2000.

Outlook

Trading conditions remain difficult but we derive significant trading advantages from having a high quality pub estate, a flexible integrated business model and popular premium ale brands.

I n adeteriorating economic environment we have taken steps to reduce our cost base and debt, but we expect a difficult year ahead. The increasing burden of government legislation and significant increases in alcohol taxation are unwelcome and pose significant challenges for our tenants, lessees and free trade customers.

In these market conditions, offering value for money in our pubs and to all of our customers is central to our trading strategy. This focus on value together with tight control of costs and the prudent management of debt is an appropriate response to the weak economy. We are concentrating on increasing our return on capital from existing assets and on sustaining consumer relationships.

We have a strong management team, many of whom have experienced testing market conditions before. Ith ank all of our employees for their hard work over the last year in difficult circumstances. We are confident that our strategy, market position and the efforts of our staff will increase shareholder value over the longer term.

David Thompson
Chairman
5 December 2008

Pictured:

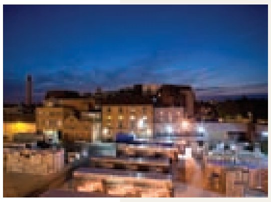
1 The Red Lion Hotel, Wendover.
2 Another great value meal at a Marston's pub.
3 Enjoying a pint of Marston's Pedigree, in the garden at The Red Lion Hotel, Wendover.

GETTING THE MEASURE OF MARSTON'S

Marston's Brewery was established in 1834 by Marston, Thompson & Evershed which now forms part of the Group. Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC) was formed as a public company in 1890 by an amalgamation of three local businesses: Banks and Company (who had been brewing at Park Brewery, Wolverhampton since 1875), George Thompson and Sons of The Dudley and Victoria Breweries, Dudley, and Charles Colonel Smith's brewery at the Fox Brewery, Wolverhampton.

1834

1890



1947
The Company was listed on the London stock exchange.

Foundations

2003

Dividend 8.0p
Revenue £490.5m

2004
The Company acquired Wizard Inns Limited — an estate of 63 high quality managed outlets, located mainly in the South of England.

Dividend 8.8p
Revenue £513.7m

Investment

2003

2004

2005

Acquisition of the Lake District brewer Jennings took place in 2005, including 131 leased and tenanted pubs, the brewer of Cumberland Ale, Sneck Lifter and Cocker Hoop.

Dividend 9.7p
Revenue £556.1m

Investment

2006

The Bluu bar and restaurant brand was acquired in 2006, with four sites and an established reputation at the top end of the bars market.

Dividend 10.7p
Revenue £595.5m

Investment

Name Change

2007

The Company rebranded in 2007 reflecting the growth of the Marston's brands and, following recent acquisitions, a truly national business.

2007

The Company acquired Ringwood Brewery Limited — its brands include award-winning beers such as Ringwood Best Bitter, Old Thumper and Fortyniner. The business comprises approximately 700 customers, predominantly in the South of England and seven high quality, freehold, traditional pubs.

Dividend 12.8p
Revenue £652.8m

Investment

Investment

2008

The Company acquired the Refresh business including Wychwood Brewery, housed in Oxford, which brews the popular Hobgoblin beer.

Dividend 13.3p
Revenue £666.1m

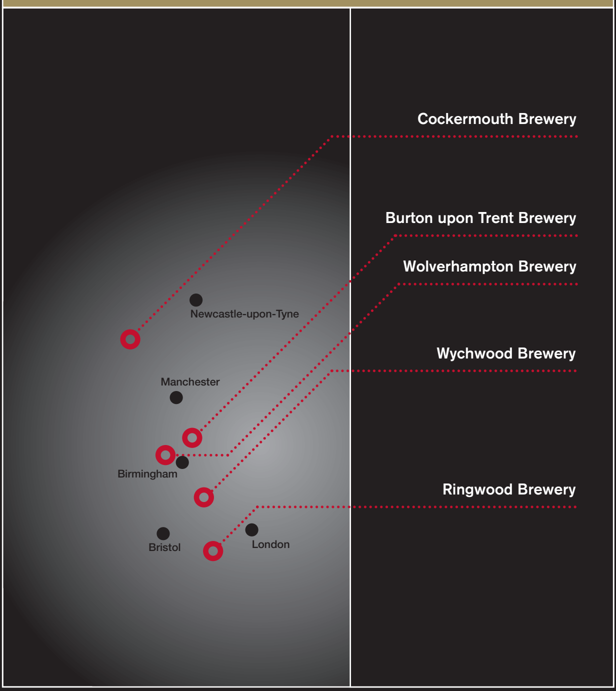
Pictured above:
Marston's Brewery, Burton upon Trent.

2005 | 2006 | 2007 | 2008

OUR MARKETS

We operate around 2,250 pubs in a UK pub sector comprising around 63,000 pubs. Increasing competition, the smoking ban, aggressive price discounting by supermarkets and the weak economy have led to increased polarisation in the marketplace. Some 2,000 pubs are expected to have closed this year, and many have already done so. It is for this reason that Marston's Pub Company has churned the estate aggressively in recent years and as a result we have a high quality estate. At the same time, we have been careful to ensure that rents are set at sustainable levels with the average rent per pub being £26,000 per year.

Marston's Breweries by Location



27.1%

of visits to the pub include a meal (TNS Alcovision)

Approximately 65% of all pub visits in Marston's Inns and Taverns are food related and food accounts for 36% of all retail sales.

Our products account for approximately 9% of the UKale market with our share of the premium ale market in pubs around 20%. Our share of the premium bottled ale market is approximately 18%, increasing from around 8% last year.

The pub sector has become dominated by a small number of large, specialist pub operators in recent years.

Marston's is one of a small number of vertically integrated pub operators and brewers, and we believe that this business model has clear advantages. We have greater economies of scale as we distribute to over 4,000 pubs and clubs; we brew our own ales and control our own supply chain; and we can employ overheads more efficiently as demonstrated by the creation of the 'Centre of Excellence' for Marston's Beer Company and Marston's Pub Company.

Beer consumption in pubs has been declining overall for many years, but there has been consistent growth in the volume of beer sold in the off-trade.

Following the acquisition of Wychwood Brewery in June 2008 Marston's Beer Company is the largest supplier of premium bottled ale in the UK market, and the largest brewer of organic ale.

6%

of pub visits include children, up from 5.3% in December 2006 (TNS Alcovision)

Changes in consumer habits, the smoking ban and investment in pubs and pub food has changed the nature of pub usage. Increasing pub visits by females, families and an increasingly mature population led to our development of the 'F' Plan in our managed pubs — an increased focus on food, females, families and 'forty/fifty-somethings'.

In brewing, real ale has been increasing in popularity as consumers have become more interested in beers with taste and provenance.

Marston's Beer Company offers an outstanding range of own beers from five different breweries and saw premium ale volumes increase by 17.5% in 2008.

BUSINESS REVIEW

Overview of results for the 53 weeks to 4 October 2008

Turnover increased by 2.0% to £666.1 million (2007: £652.8 million). Underlying operating profit of £161.6 million was 1.0% below last year (2007: £163.2 million). Profit before taxation and exceptional items was £85.1 million (2007: £98.0 million), 13.2% below last year, and underlying basic earnings per share was 25.6 pence (2007: 26.2 pence), 2.3% below last year.

Net debt at the year-end was £1,268.1 million (2007: £1,189.1 million).

The 2008 financial year saw the first full year of the smoking ban, a weakening economy and significant increases in input costs. Trading in the second half was also impacted by poor weather over the summer months. Overall however, the sales performance of our trading divisions was resilient as described in the divisional performance sections.

Our preparations for the smoking ban included investment of approximately £20 million in outside areas; the disposal of pubs with the greatest exposure to the ban and limited growth potential; and the continued development of our food offers. The impact of the ban has been consistent with our expectations. In general, food-led businesses have performed more strongly than wet-led pubs; well-located pubs with good outside areas have performed better than those with limited amenities; and food sales have increased as drinks sales and income from gaming machines have declined.

The reduced operating margin of 24.3% (2007: 25.0%) reflects higher input costs and the change in sales mix, with food sales generating slightly lower margins than drinks sales and income from gaming machines. Energy, utilities, brewing ingredients and food prices increased by approximately £6 million in 2008 and, as previously anticipated, are forecast to rise by up to £12 million in 2009, although we now expect inflationary pressures to reduce from the second half of 2009. We aim to offset most of these increases through tight cost management.

In the current trading environment, we have sought to minimise any increase to the retail price of beer and food and to the wholesale price of beer. Operating costs have been reduced by improved purchasing terms with a range of suppliers, and through cutting overheads by combining training, credit control, trade marketing, finance and administration services of Marston's Beer Company and Marston's Pub Company to improve efficiency.

The exceptional cost of reducing overheads was around £4 million and the resulting cost savings are expected to be over £4 million per year from 2009 onwards.

1

The industry

We operate around 2,250 pubs in a UK pub sector comprising around 63,000 pubs. Our products account for approximately 9% of the UK ale market with our share of the premium ale market in pubs around 20%. Our share of the premium bottled ale market is approximately 18%, increasing from around 8% last year following the acquisition of the Wychwood Brewery.

Changes in consumer habits, the smoking ban and investment in pubs and pub food have altered the nature of pub usage. More pub visits by women, families and an increasingly mature population led to our development of the 'F' Plan in our managed pubs — an increased focus on food, females, families and 'forty/fifty-somethings'. We estimate that 65% of all pub visits in Marston's Inns and Taverns are food related, with food sales representing 36% of all retail sales.

2

3

Intensifying competition, the smoking ban, aggressive price discounting by supermarkets and the weak economy have led to increased polarisation in the marketplace. Some 2,000 pubs are expected to have closed in 2008, with a similar number likely to close in 2009. In anticipation of this trend Marston's Pub Company has churned its pubs aggressively in recent years and as a result we have a high quality estate. At the same time, we have been careful to ensure that rents are set at sustainable levels.

In brewing, 'real ale' has been increasing in popularity as consumers have become more interested in beers with taste and provenance. Marston's Beer Company offers an outstanding range of own beers from five different breweries and saw premium ale volumes increase by 17.5% in 2008.

Beer consumption in pubs has been declining overall for many years, but there has been consistent growth in the volume of beer sold in the off-trade. Marston's Beer Company is the largest supplier of premium bottled ale in the UK market and the largest brewer of organic ale.

The pub sector has become dominated by a small number of large, specialist pub operators in recent years. The Group is one of a small number of vertically integrated pub operators and brewers, and we believe that this business model has clear advantages. We have greater economies of scale, as we distribute to over 4,000 pubs and clubs; we brew our own ales and control our own supply chain; and we can employ overheads more efficiently as demonstrated by the creation of the 'Centre of Excellence' for Marston's Beer Company and Marston's Pub Company.

Business and Enterprise Committee Inquiry

The Department for Business, Enterprise & Regulatory Reform is currently investigating the response of pub companies to the recommendations of the 2004 Trade and Industry Select Committee (TISC) inquiry into the nature of the relationship between pub operators and their tenants and lessees.

Pictured:

1 The Squirrel, Ludlow.
2 A selection from our portfolio.
3 Inn on the Furlong, Ringwood.

BUSINESS REVIEW


1

Following the TISC inquiry, Marston's Pub Company issued a clear Code of Practice which has been approved by the British Institute of Innkeeping and we believe that we have complied with the recommendations of the Committee.

Beer duty

As part of the April 2008 Budget, the Chancellor of the Exchequer increased duty on beer by around 9% and introduced a formula whereby duty will increase by at least 2% more than inflation over the next two years. In the recent Pre-Budget Report, beer duty was increased by a further 8%.

This additional tax burden is extremely onerous for small owner managed businesses including pub tenants. In our view it is contributing to the increasing disparity in prices between pubs and the off-trade and is threatening the positive contributions that many pubs make to communities throughout the country. We strongly support industry bodies, including the British Beer & Pub Association, in campaigning for a reduction in beer duty through the launch of the 'Axe The Beer Tax' campaign.

SUMMARY OF STRATEGIC OBJECTIVES

Our strategy has six key elements:

1. Target growth through the development of a national, high quality pub estate;
2. Develop greater food skills and extend our appeal to new customer groups;
3. Recruit skilled tenants and lessees better able to compete in a developing market;
4. Increase distribution of our ale brands;
5. Create greater value for shareholders through vertical integration; and
6. Match freehold assets with long term fixed rate financing.

In recognising that the general economic situation has changed significantly in recent months, our priorities for this coming year reflect a greater emphasis on managing the business in challenging conditions and on ensuring that when the trading environment does improve we are in a good position to benefit. Our priorities for 2009 are in 8 key areas as described below:

Optimising pricing and promotions.

Retail pricing throughout 2009 will reflect our continuing aim to offer outstanding value in all formats. Approximately 90% of our managed pubs offer promotions on food or drink, with around 35% of sales being promoted lines. Key trading periods such as Christmas will attract early booking discounts and other targeted promotions. We will also conduct range reviews to ensure that we are offering value by retailing good, price-competitive brands.

In brewing, we are focused on building value through higher margin brands and trade channels, such as premium cask ale and premium bottled ale.

A focus on innovation and current consumer trends.

Our managed pub design continues to reflect contemporary styling including the use of open kitchens in new developments, with an emphasis on 'fresh' and 'freshly prepared'. Recent examples include the opening of Bluu Bar Brasserie, Moorgate London; Pitcher & Piano, Chester; and the Stag's Leap, Rugeley.

The future development of our accommodation business will include partnerships with other lodge operators where appropriate. We have recently completed the refurbishment of rooms for accommodation in our managed pubs. Following the launch of online booking and the Marston's Inns website (www.marstonsinns.co.uk) we have seen steadily rising occupancy.

Recent additions to our portfolio of ales give us access to an unrivalled range of beers to offer to consumers and retailers. During 2009 we will exploit the strength of this portfolio in all areas of our business.

In 2008 we introduced a variable rent agreement suitable for high turnover food-led pubs. In 2009 we plan to offer more flexible new agreements including a variable rent agreement whereby rent is linked to sales volumes. We believe that this will prove attractive to tenants in smaller, wet-led pubs, and reduce risk for tenants. We have also conducted retail price-support trials in some wet-led tenanted pubs which contributed towards increasing trade where price reductions were accompanied by significant improvements in retail standards. These trials will be extended and incorporated in the development of new agreements.

A rigorous approach to pub standards.

Customer perceptions of the attractiveness and value of the 'pub experience' are strongly influenced by the level of attention paid to service, hygiene, and the standard of maintenance of the pub and external areas. Whilst not all of these factors are under our operational control in tenanted and leased pubs, we will emphasise their importance in tenant recruitment, training and communications.

Improved management of our beer brand portfolio.

We will extend the distribution of our range of ales such that all key brands will be available to all our managed pubs, tenants and lessees, and free trade customers. This will be to the benefit of the Banks's, Marston's and Mansfield brands as well as to those acquired more recently.

In the off-trade our bottled ale portfolio will be focused on Marston's Pedigree, Marston's Old Empire, Hobgoblin, Wychcraft, Brakspear Oxford Gold, Ringwood Old Thumper and Jennings Cumberland Ale.

Tightly controlled costs and continued delivery of excellent customer service.

Combining certain support functions will reduce overheads by £4 million per year and further improve operational efficiency. New labour scheduling and stock control systems will benefit our managed pubs.

The risk in energy and utility costs has increased significantly in recent years. We now have fixed electricity and gas contracts in our pubs until at least September 2010. We will also be able to manage energy usage more efficiently as all of our managed pubs will have automated electricity meters installed during 2009.

Ensure customer/consumer knowledge is current and meaningful.

We will continue to conduct regular quantitative and qualitative analysis to test customer/consumer opinion.

Aim to reduce net debt.

We will do this by reducing capital investment from £117 million in 2008 to below £60 million in 2009 whilst continuing to invest maintenance capital at historic levels. We will also target the selective disposal of smaller tenancies and leasehold sites and expect to sell 50–75 pubs and unlicensed properties during 2009.

Maintain high ethical and environmental standards.

The Company is an active supporter of a number of industry bodies and will continue to actively promote the responsible retailing of alcohol. The Company is a member of the 'FTSE4Good' Index and was recognised by the Carbon Trust for work on environmental standards.

Pictured:
1 *Bluu*, Birmingham.
2 A selection from our Ringwood portfolio.

2

BUSINESS REVIEW
Marston's Inns and Taverns
506 Managed Pubs and Bars

The results for Marston's Inns and Taverns include the full year performance of 47 smaller managed pubs transferred to Marston's Pub Company during the second half of 2008. These 47 pubs have been included in the year end pub numbers for Marston's Pub Company.

Total turnover increased by 5.6 % to £388.3 million (2007: £367.8 million). Underlying operating profit was £67.2 million (2007: £66.7 million).

As anticipated, the sales mix was affected by the smoking ban and established market trends. Total like-for-like sales were 0.6% below last year, with like-for-like food sales up by 3.0% and wet sales down 2.6% on the same basis. Average turnover per pub increased by 2.9 % to £14,100 per week.

Food sales represent 36% of total retail turnover (2007: 34%). Average spend per head on food was around £6, a slight increase on the previous year. The like-for-like volume of meals sold increased by 4%.

This strong sales performance was accompanied by robust gross margins. Net operating margin of 17.3% was 0.8% below last year, with good controls significantly mitigating higher costs associated with the change in sales mix, including food service costs and input cost inflation.

Food input cost inflation was approximately 6% in 2008, an increase of around £3 million. We expect the general rate of food inflation for 2009 to be around 3% and have recently negotiated a range of supply contracts on favourable terms.

Bar staff costs represent around 26% of turnover and were well controlled considering the extension of holiday entitlement for part-time employees and the change in sales mix. We expect further improvements from the second half of the 2009 financial year following the implementation of a new system which will facilitate refinements to be made to labour scheduling.

During 2008 we opened 16 new pubs or bars, including 12 community food-led pubs and 4 branded high street bars, investing £33 million in these mainly freehold sites. Over the last 5 years we have opened over 50 similar outlets, the majority being new-build pubs designed as part of new housing developments. The sites have been carefully selected and designed for optimal use of space both internally and externally, and for maximum operational efficiency. Food sales typically represent around 50% of turnover in these pubs.

Although return on capital from these investments remains high there has been a significant reduction in housing development by house builders and we have scaled back our plans accordingly. We expect to open 4 new outlets in 2009 and are buying new sites for future, rather than immediate, development. Prices paid for sites have eased over recent months.

Marston's Inns and Taverns offers around 800 bedrooms in over 50 outlets operated as 'Marston's Inns' (www.marstonsinns.co.uk). During the year the majority of rooms were completely refurbished to

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2


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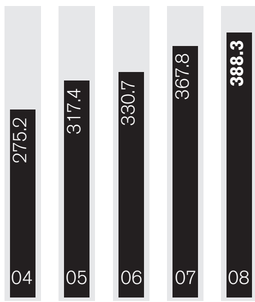
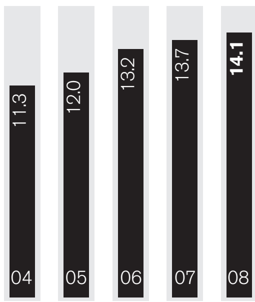
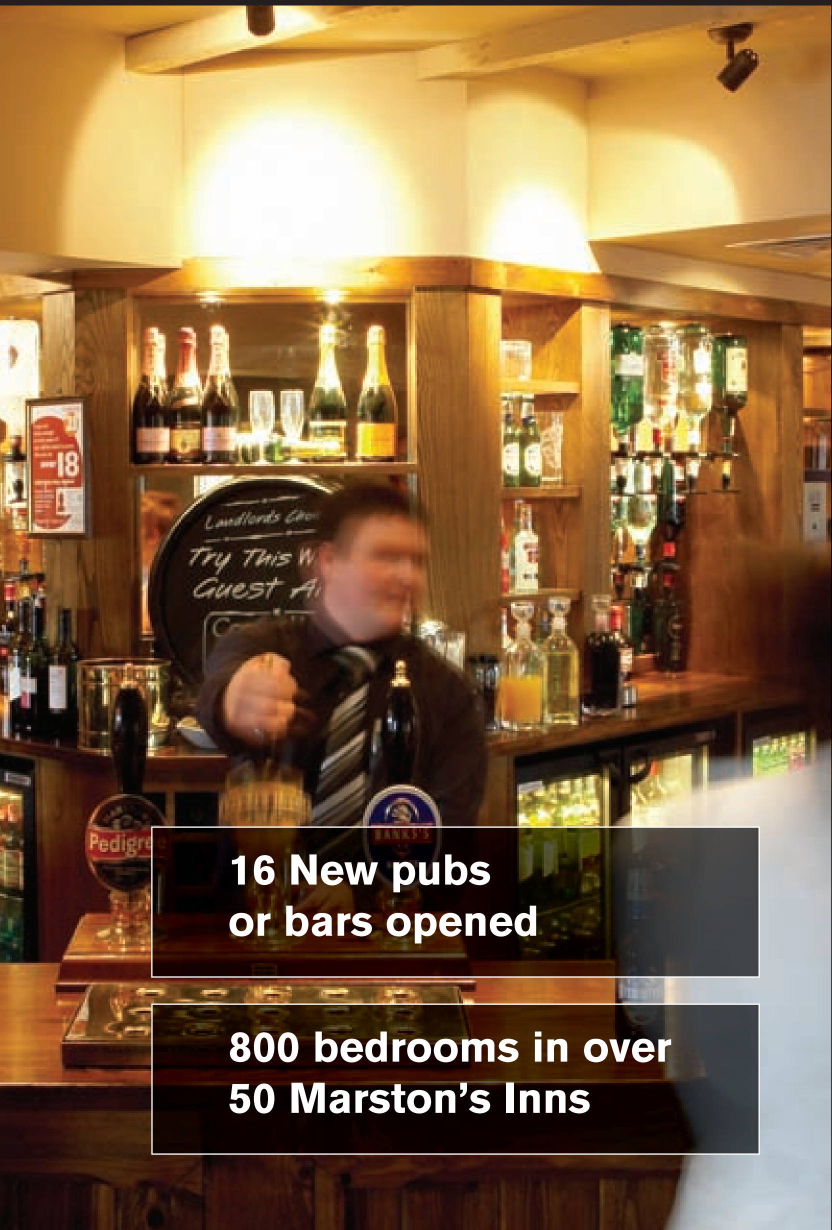


▲ 5.6%
Turnover £m



▲ 2.9%
Average weekly sales £'000



16 New pubs or bars opened

800 bedrooms in over 50 Marston's Inns

Welcome to Marston's Inns – a new brand that's a home from home

Marston's Inns and Taverns has invested in its pubs with rooms to create a unique new brand formula that is destined to build a solid reputation for its consistently high standards and home-from-home appeal.

'Marston's Inns' is a new concept for letting rooms and has only launched in pubs that have undergone a signature refurbishment of their bedrooms.

Andrew Carlill, Marston's Inns brand manager said: "We want to replicate everything that's fantastic about great independent pubs with rooms and use this familiar and successful formula on a larger scale, giving more customers the reassurance of a strong brand. The essence is that our customers will enjoy a home-from-home experience that combines the essentials of a hotel with the warmth and comfort of their local. All bedrooms have en suite bathrooms, luxurious new bedding, hair dryers, digital TVs with built in Freeview, free WiFi, free bottled water and tea and coffee making facilities. And our price includes breakfast."

The great news for shareholders is that they can use their 20% discount in any Marston's Inn. Customers can book a room through any one of a number of channels: by phone or in person at the Inn itself, via booking agents such as **www.laterooms.com** or on the new brand website **www.marstonsinns.co.uk**, or through a telephone-based central reservations service on 0844 770 4667.

a very high standard and specification, including the provision of free Wi-Fi and installation of digital televisions with Freeview channels in all rooms. This investment together with the introduction of an online booking system, contributed to an increase in occupancy from around 50% to 65% and higher achieved room rates. We have acquired a number of sites for development as coaching inns in the future and will continue to identify the potential for sites to be developed with existing lodge operators.

We have clear, strong value-for-money offers such as those in our 'Two for One' concept, and this has contributed to our performance. We have seen good growth in food sales and accommodation and are well positioned for current market conditions.

Pictured:

1 The Otter, Newbridge.
2 Refurbished bedroom at The Red Lion Hotel, Wendover.
3 The Red Lion Hotel, Wendover.
4 The Squirrel, Ludlow.

BUSINESS REVIEW
Marston's Pub Company
1,743 Tenanted Pubs

The Pedigree People Programme

In the last year 50 members of our operations team have been through an intensive training programme to enable them to become effective business builders to our tenants and lessees. The Pedigree People Programme resulted in all 50 participants achieving the BII Advanced Certificate in Licensed Hospitality, all of whom have gone on to achieve the Diploma level. The programme has not only raised the expertise of our operational staff but has also benefited our tenants and lessees, who can now turn to a team of true business advisers for help and assistance. The programme has been shortlisted for a National Training Award in recognition of its effectiveness.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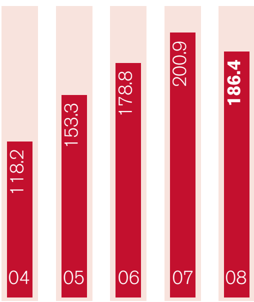
Total turnover decreased by 7.2% to £186.4 million (2007: £200.9 million), including the impact of the disposal of a package of 279 tenanted pubs in the second half of 2007. Underlying operating profit decreased by 0.9% to £90.0 million (2007: £90.8 million).

The introduction of the smoking ban in 2007 has stimulated more tenants and lessees to develop their food offers, and this is reflected in a lower proportion of drinks sales and gaming machine income consistent with market trends. Marston's Pub Company has invested with tenants and lessees to anticipate this change in demand, and this is reflected in total rents increasing by 5.2% to an average of £26,000 per pub.

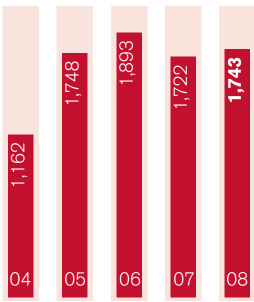
Operating margin was 48.3% (2007: 45.2%) reflecting integration benefits following the acquisitions of Sovereign Inns and Eldridge Pope in 2007, and the transfer of smaller managed pubs into the division during 2007. A further 47 managed pubs were transferred in the second half of 2008, the majority of which have subsequently been leased.

Like-for-like profit per pub was 1.7% below last year. This is a robust performance in a difficult trading environment, reflecting the high quality of our pub estate; a long term strategy of setting sustainable rents on the basis of shared risks and rewards; and the development of a wide range of benefits for retailers to promote sales generation and better cost management.

£2 million
Investment in supporting tenants



▼ 7.2%
Turnover £m



▲ 1.2%
No. of Pubs

The actions taken in recent years in acquiring good quality pubs, the appointment of retailers with food development skills, and the disposal of pubs without long term growth prospects have contributed to our resilient performance. The pub market is polarising rapidly, as evidenced by the fact that the 83% of our estate which is let on the basis of substantive agreements is in growth, whilst the remainder is in decline overall.

Management of pubs which are not let on substantive agreements represents a significant challenge. These pubs are likely to be less well positioned and to have been most affected by the smoking ban, the economy and price competition from other retailers. As described earlier in the Business Review, we intend to introduce more flexible agreements which will reduce risk for capable operators of such pubs.

We are already investing in a significant level of support for all tenants and lessees. In 2008 this included continued development of online ordering; licensee training days through the 'Skills Bar' programme; access to Marston's payroll bureau to pay employees; and a 'web-builder' designed to enable retailers to design their own websites. More recently we launched an accommodation website specifically for tenants and lessees www.bedsattheinn.co.uk.

During 2008 we also invested around £2 million in rent alleviation and additional discounts where appropriate. We expect at least a similar level of support to be provided in 2009.

Each Business Development Manager (BDM) is responsible for around 48 pubs. This level of resource is above that of most other operators as we believe that sound business relationships are based on giving tenants and lessees more time and attention and better quality advice as a result. Our BDMs are also trained using external programmes from the British Institute of Innkeeping and our 'Pedigree People Programme'.

We continue to develop a wider range of value adding services for tenants and lessees, with the objective of making Marston's Pub Company the pre-eminent tenanted and leased pub operator in the market.

Pictured:
1 The Crown, Codsall Wood.
2 The Ragged Cot, Minchinhampton.
3 The Crown, Codsall Wood.

BUSINESS REVIEW
Marston's Beer Company

Total turnover increased by 8.7% to £91.4 million (2007: £84.1 million). Underlying operating profit was £16.1 million (2007: £17.4 million).

We continued to increase market share in a weak beer market which saw a decline of around 9% in on-trade beer volumes. Total volumes of own brewed beers increased by 5.0% and volumes of premium ale by 17.5% including the acquisitions of Ringwood and Wychwood Brewery.

Our strategy has been to focus on higher margin cask ale beers with a strong regional consumer franchise and to emphasise provenance. As a consequence, we have an outstanding range of ales in our portfolio including beers from Marston's, Banks's, Mansfield, Jennings, Ringwood, Brakspear and Wychwood.

We have also increased service and support levels in the free trade and in our commercial relationships with other pub companies. Examples include continued investment in beer quality technicians to raise beer keeping standards and a 'business solutions' approach to free trade customers. In 2008 we also launched 'Ontrader' which offers online support similar to that offered to tenants of Marston's Pub Company.

These initiatives contributed to a robust free trade volume performance which, although 4% below last year, was significantly ahead of the market.

Our market share of premium ale in the on-trade is around 20% and 18% in the premium bottled ale sector of the off-trade. We increased market share in both categories in 2008.

Operating margin was 17.6% (2007: 20.7%), a decline of 3.1% principally as a result of significant increases in malt, energy and fuel prices which impacted brewing and distribution costs. We intend to reorganise distribution routes in 2009 and implement a range of other cost saving measures.

It is our view that our portfolio of ale brands can benefit from the longer term growth in eating out in pubs and the continued growth of the off-trade. We continue to invest in advertising campaigns and sponsorships which include Marston's Pedigree being 'The Official Beer of England Cricket' together with a wide range of local radio, print and event sponsorships for our other regional brands. Marston's Beer Company's cricket sponsorship won the 'Sports Sponsorship of The Year' title at the prestigious Hollis Awards for 2008.

Volumes of premium ales increased by 17.5% and volumes of own brewed beers increased by 5.0%.

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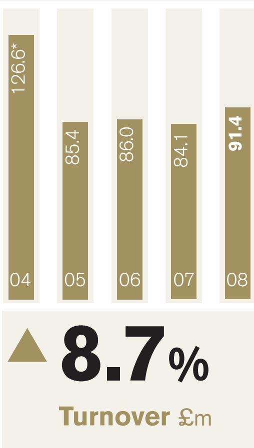

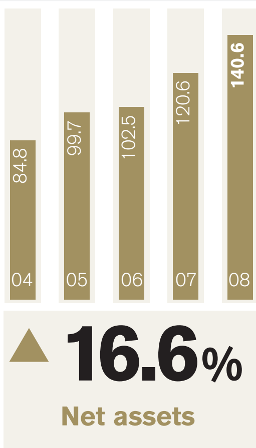

* 2004 is reported under UK GAAP. Subsequent years have been reported under IFRS.

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Brand Marketing

- All of our breweries, Ringwood, Wychwood, Jennings, Banks's and Marston's, have strong local identities and local marketing programmes that engage with local drinkers.
- Jenning's Cumberland Ale has established itself on a true national level bringing a taste of the Lake District to pubs and supermarkets across the country.
- Ringwood's involvement with the New Forest Show celebrates local enterprise whilst attracting many tourists who attend the show.
- Banks's continues to slake the thirst of Black Country folk; whilst the industries in the area may have changed since the industrial revolution, the beer has not!
- Marston's Pedigree is the 'Official Beer of England' and our roots in cricket spread through nine county grounds to many local cricket clubs. As an official partner of the increasingly popular Twenty20 game, the brand is exposed to a new wider audience. The values of cricket match those of a true English beer like Pedigree perfectly.
- Hobgoblin is recognised as the "unofficial" beer of Halloween, creating an event opportunity for consumers either at home or in the pub — over 4,700 pubs organised Hobgoblin Halloween events in 2008.

Pictured:
1 Cricket stump hand pulls on the bar.
2 Promoting our brand.
3 Dray in the brewery yard, Ringwood.
4 Wychwood Brewery.

BUSINESS REVIEW
Key relationships

Customers
Customers' changing demands are understood and accommodated. Our network of area managers serving our managed, tenanted and free trade estates ensure that our customers' opinions and comments are heard. Our customers' comments are invited through our website, particularly those for our managed houses, which are reviewed personally by Derek Andrew, Managing Director of Marston's Inns and Taverns.

Employees, suppliers and local communities
Our Corporate and Social Responsibility Report gives more detail on how the relations with these individual Groups are managed.

Regulatory Bodies
The Company has important relationships with regulatory bodies including the Licensing Authorities for the operation of our pubs, and the Environment Agency with regard to the Integrated Pollution Prevention and Control (IPPC) permit.

Since 24 November 2005 the licensing system has been controlled by Local Authorities and is governed by strict guidelines laid down by the Government to ensure consistency. Anyone who authorises the sale of alcohol must have a personal licence and any premises used for the sale of alcohol must have a premises licence. Licensing objectives include prevention of crime and disorder, protection of public safety, prevention of public nuisance and protection of children from harm.

The achievement of the licensing objectives is a key responsibility for Marston's Inns and Taverns. This is done by insisting upon a high level of training and conduct amongst our staff and by internally testing compliance to the law. In addition the operation of our managed houses is attentive to concerns from local residents and the police.

Within Marston's Pub Company the responsibility for licensing in our tenanted and leased properties is divided between the premises licence holder, which is usually the Company, and the personal licence holder which is the licensee. The Group has an interest in supporting its tenants and lessees in operating their pubs in accordance with the objectives of their licences. The Group does this by providing advice and support to tenants through the experience and training of Business Development Managers, and by providing expert legal advice on technical and everyday issues.

Pictured:
1 2 Pitcher & Piano, Chester.

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BUSINESS REVIEW
Financial Review

	Turnover		Underlying operating profit (note 2, p.52)		Margin	
	2008	2007	**2008**	2007	**2008**	2007
	£m	£m	**£m**	£m	**%**	%
Marston's Inns and Taverns	**388.3**	367.8	**67.2**	66.7	**17.3**	18.1
Marston's Pub Company	**186.4**	200.9	**90.0**	90.8	**48.3**	45.2
Marston's Beer Company	**91.4**	84.1	**16.1**	17.4	**17.6**	20.7
Marston's Group Services	**—**	—	**(11.7)**	(11.7)	**(1.8)**	(1.8)
Group	**666.1**	652.8	**161.6**	163.2	**24.3**	25.0

Results for the 53 weeks to 4 October 2008

Group turnover increased by 2.0% to £666.1 million, as the benefit of acquisitions offset like-for-like sales marginally below last year. Underlying operating profit reduced by 1.0% to £161.6 million and underlying basic earnings per share fell by 2.3% to 25.6 pence per share.

Operating profit after exceptional items was £156.9 million, down 2.4% on the prior year, and basic earnings per share (after exceptional items) was 22.7 pence per share (2007: 27.9 pence per share).

Key performance indicators

The Board of Marston's PLC and the divisional management boards monitor a range of financial and non-financial performance indicators, reported on a periodic basis, to measure performance against expected targets. Of these, the key performance indicators monitored by the Board are:

	2008	2007
Group		
1. Underlying earnings per share	**25.6p**	26.2p
Marston's Inns and Taverns		
2. Like-for-like sales growth	**(0.6)%**	+4.6%
3. New site openings	**16**	19
Average profit per pub		
4. Marston's Inns and Taverns	**£195k**	£206k
5. Marston's Pub Company	**£64k**	£65k

Definitions

1. Underlying earnings per share is basic earnings per share before exceptional items.
2. Like-for-like sales growth is the percentage change in turnover from all managed pubs owned by Marston's for the whole of the current period under review and the prior comparative period.
3. New site openings are the number of managed pubs opened either as 'new build' pubs, or acquired and refurbished managed pubs in the period under review.

4/5. Average profit per pub is average EBITDA for those pubs which have traded for 12 months in the period under review.

Dividend

The proposed final dividend of 8.47 pence per share gives a total dividend for the year of 13.27 pence per share, an increase of 3.4% on the prior year. Dividend cover at the year-end is 1.9 times (2007: 2.0 times).

Capital expenditure

Capital expenditure was £117 million in 2008 and we expect this to reduce to below £60 million in 2009. The level of maintenance capital expenditure will be broadly similar to 2008, but investment capital will reduce primarily driven by a significant reduction in our new-build development programme as a result of curtailed investment by house builders limiting the availability of new sites.

Acquisitions

Ryland Thompson Limited (Refresh) was acquired on 2 April 2008 for a consideration (including acquisition fees) of £13.6 million. The acquired business was valued at £8.8 million. Goodwill arising on the acquisition was £4.8 million.

Disposals

We have continued to improve the quality of our estate through the disposal of smaller tenancies and leasehold sites which we believe in the longer term will not be financially viable. During the year we sold 43 such pubs and other properties for around £22 million, at prices marginally above book values. We will continue to dispose of pubs and property which we believe will no longer generate long-term sustainable growth or have higher alternative use values. We expect to achieve disposal proceeds of at least £20 million in 2009 and so far have completed or unconditionally exchanged on over £5 million of disposals at book value.

Share buy-backs

During the year the Group purchased 8.7 million Marston's shares at a total cost of around £29 million, fulfilling our commitment to £150 million of share buy-backs which we started in the previous financial year.

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Pictured:
1 Wychwood Brewery.

DIRECTION
PERFORMANCE
FINANCIAL REVIEW
GOVERNANCE
FINANCIAL STATEMENTS

BUSINESS REVIEW
Financial Review CONTINUED

Financing
Net debt increased to £1,268.1 million at 4 October 2008, compared to £1,189.1 million at 29 September 2007. This increase is principally as a result of the significant capital investment across the Group and the share buy-backs referred to previously.

We completed a £330 million securitisation tap in November 2007. We have no re-financing requirements until August 2010 when our £400 million banking facility is due for renewal. At the year-end £234 million of this facility was drawn and therefore we had £166 million of unutilised facilities.

For the period ended 4 October 2008 the ratio of net debt to EBITDA (before exceptional items) was 6.2 times and interest cover 2.1 times. As a result we met all of our key financing covenants and have a comfortable amount of headroom in both our securitisation and in our bank facility.

Net finance costs before exceptional items have increased by £11.3 million compared to the prior year, primarily as a result of the increased net debt.

At the year-end around 92% of our gross debt is effectively at fixed rates of interest with a blended cost of debt of approximately 6.1%.

Treasury, risk and internal controls
The Group regularly reviews its forecast short term and medium term cash flows, and excess cash is either placed on short term deposit or invested in deposits which are refundable on demand.

The vast majority of the Group's borrowings are now fixed through a combination of fixed rate securitised debt and interest rate swaps. The financial risks faced by the Group are managed in accordance with Board approved policies and are subject to regular internal review.

The banking and securitisation covenants are reviewed throughout the year as part of the internal reporting process with a focus on ensuring appropriate headroom is available. Every six months the financial position of the Group in respect of the securitisation covenants is reported externally to financial institutions and made available on the Group's website (www.marstons.co.uk). Operational compliance with all banking and securitisation covenants is managed and regularly reviewed by the treasury, risk and internal audit functions.

We have an ongoing programme to identify key operational and financial risks across the Group and, where possible, to mitigate the potential impact of those risks. The programme is managed by the treasury, risk and internal audit functions. This includes monitoring counterparty risk, which is mitigated through the use of three UK banking institutions for deposits in respect of cash and through a syndicated bank facility in respect of bank loans.

Pensions
The deficit on our final salary pension scheme was broadly unchanged at £37.9 million before tax (2007: £38.6 million), and £27.3 million after tax (2007: £27.8 million). This reflects the negative impact of poor investment returns and higher salary and inflation assumptions, broadly offset by a higher bond yield used to discount the pension liabilities and £15.4 million of top-up contributions paid into the scheme during the year.

We are carrying out a triennial valuation of the pension scheme in 2009 and the results will be reflected in the accounts for the year to September 2009.

Estate valuation
Our accounting policy is to revalue our assets on a regular basis and we revalued around 85% of our estate as a result of the refinancing we completed at the end of 2007.

There are a number of individual pubs where, in our view, the valuation has been permanently impaired. This reduction in valuations predominantly relates to pubs which we have identified for disposal or which are currently closed. As a result we have recognised a £4.9 million impairment charge, which is largely reflected in the revaluation reserve.

Taxation
The underlying rate of taxation (before exceptional items) has reduced to 18.3% from 21.0% in 2007. This is principally due to the favourable agreement of certain prior year tax issues and a tax credit relating to indexation on properties.

Exceptional items
There is an exceptional charge of £8.9 million (£7.7 million after tax). This comprises a non-cash cost of £4.2 million reflecting the movement in the fair value of certain interest rate swaps; a £3.9 million cost relating principally to the reorganisation of head office functions completed during the year, which will result in future savings of at least £4 million per year; and a £0.8 million write-off of aborted project fees in respect of investigating the possibility of converting the Group into a Real Estate Investment Trust which is now considered extremely unlikely in the foreseeable future following the Pre-Budget Report on 24 November 2008.

Current trading
Trading since the year-end has continued to be very challenging. Like-for-like sales in Marston's Inns and Taverns were 2.9% below last year for the 8 weeks to 29 November 2008 and we estimate that profits for Marston's Pub Company are similarly weaker compared to last year. Marston's Beer Company has continued to increase market share in a declining beer market, with volumes of owned brands ahead of last year.

We remain cautious about the immediate trading outlook but are confident that steps already taken in respect of capital expenditure and cost management are appropriate for the current environment, and that our value for money offers will continue to perform well.

We have a good blend of skills and experience amongst our employees who will help us to continue to develop with the objective of being the leading pub operator and brewer in the country.

Ralph Findlay
Chief Executive

Paul Inglett
Finance Director

CORPORATE AND SOCIAL RESPONSIBILITY REPORT

HOW WE OPERATE

We strive to be "**FIT**" in our dealings with our employees, customers, suppliers and the wider community within which we operate.

"**FIT**" is a summary of three fundamental behaviours that apply throughout the Group.

Fairness — Any action, decision or policy adopted within the Marston's Group should be both equitable and reasonable. It should not result in one particular group of stakeholders gaining an unjustified advantage or benefit at the expense of another.

Integrity If a commitment is made it should be kept. If it cannot be delivered or circumstances change so that an alternative course of action is appropriate this should be clearly explained.

Transparency — Wherever there is the freedom to do so, the Group should act in a manner that is open to the scrutiny of our employees and the wider community.

The Group has a Corporate and Social Responsibility (CSR) Committee to oversee its CSR activities and ensure that its activities are consistent with the "FIT" approach which, in turn, reports to an Environmental, Corporate and Social Responsibility Committee under the stewardship of the Managing Director of the Marston's Beer Company.

The Marston's team

The Group directly employs about 13,000 people offering opportunities for people in every county of England and Wales. In addition, our lessees and tenants within Marston's Pub Company also employ a significant number of people within a similar geographical spread.

The Group has a long history of excellent consultative and collective bargaining relationships with its trade unions, at its breweries, distribution centres, and head office and pub sites. Employee representatives, both Trade Union officials and lay members, have a significant and recognised role to play in developing our business.

Diversity

More than half of our people work on a part-time basis to suit their personal circumstances offering excellent opportunities for students and people returning to the work environment. Around half of our total workforce is female and of those employees undertaking management responsibilities about a third are women.

The Group runs a development programme for our people on issues relating to diversity and, in addition, this topic also features in other development and training programmes such as recruitment and selection.

The Group operates a full Equal Opportunities policy and a "Whistleblowing" policy, both of which are available on the Group's website: www.marstons.co.uk.

Development opportunities

The Company has been continually accredited with the Investor in People standard since 1995 and has won a number of National Training Awards over the same period.

We support a wide and very varied range of personal development opportunities so that everyone has access to the development they need to truly maximise their potential. Whilst academic and professional qualifications are available to employees many of our programmes offer excellent opportunities to those that respond best to vocational forms of development.

Development opportunities extend beyond our employees and we run an extensive range of courses for our tenants, lessees and free trade customers.

Pictured:
1 Kitchen at The Red Lion Hotel, Wendover.

CORPORATE AND SOCIAL RESPONSIBILITY REPORT CONTINUED

Health and safety

The Group has a health and safety policy, endorsed by the Board and used throughout the Group. The Board receives an annual presentation from the Group Health and Safety Manager giving detailed statistics on health and safety issues and the progress made in improving our performance where required.

All of our production, distribution and head office locations, together with Marston's Inns and Taverns, have active health and safety committees, involving both managers and employees and are co-ordinated by the Group Health and Safety Manager. In addition to this, all sites undergo health and safety audits by external assessors and the measures by which we judge a satisfactory outcome are continually reviewed and the standards raised.

Each pub receives a comprehensive health and safety manual for use as a source of information, guidance and training together with a set of compliance documentation that has been widely praised by Environmental Health Officers.

In Marston's Pub Company, tenants and lessees are provided with the opportunity to receive health and safety training, and can also obtain examples of best practice for use within their pubs. In addition, we provide assistance with important legal requirements such as fire risk assessments.

Alcohol awareness — our responsibility

The Group is a long-standing member of the British Beer and Pub Association (BBPA), and both Marston's Inns and Taverns and Marston's Pub Company are associate members of the Portman Group and are committed to complying with the provisions of its code of practice, full details of which can be found on The Portman Group website.

Pictured:
1 Challenger hops.

The Group also supports both the Drinkaware Trust and the industry's own alcohol awareness campaign, currently known as Project 10.

Our promotional material carries a clear and concise message encouraging the responsible consumption of alcohol and on our bottles and cans we provide information about the alcohol content of the product concerned. Marston's Pedigree was the first beer brand to include a responsible drinking message in its television advertising, something that the rest of the sector has been quick to adopt.

The Group continues its association with the British Institute of Innkeeping and the Schools Project Partnership as the first Core Partner of the Schools Hospitality Partnership, a nationwide programme to bring alcohol awareness web-based teaching aids to secondary schools across the country. Further information can be found at www.schoolsproject.co.uk.

Responsible Retailing

The Company has made a significant investment in e-learning tools which all pub staff joining Marston's Inns and Taverns must complete. A core part of this programme is the identification of potential under-age drinkers. Marston's Pub Company runs a customised drinks and drugs awareness programme, which our lessees and tenants are actively encouraged to attend, and has produced checklists to assist lessees and tenants in ensuring they adopt a best practice approach to running their businesses.

The Company actively supports the Challenge 21 initiative in both its managed and leased pub estate and maintains close links with licensing and other enforcement bodies to help ensure that our pubs operate in a responsible and considerate manner.

Much of the advice and support we offer our tenants and lessees is also made available to our customers in the free trade. In particular, we have worked closely with the English Cricket Board, developing a "Know your Boundaries" campaign in support of their responsible retailing activities.

Community

The Group is committed to being an active and positive contributor to the communities it serves.

Each year our licensed retail managers, pub staff and tenants raise significant amounts of money for many different charitable causes through local pub-based activity and contributions from the Marston's Inns and Taverns' Local Heroes Foundation. Marston's Beer Company makes prize donations for charitable activities run by its free trade customers. Our head office team support charitable causes via donations and raffle prizes and during the financial period ended 4 October 2008 over 50 good causes benefited from such donations.

Our employees also run their own Marston's Employee Charity Fund, which we are proud to support. This fund is run by employees for employees and in the last 12 months the fund has donated over £14,000 to a range of local good causes nominated by our employees.

Ethical purchasing

As a responsible employer, we have a duty to support and encourage a responsible purchasing policy for all of our goods and services. As a minimum, all of our purchasing professionals abide by the Chartered Institute of Purchasing and Supply's (CIPS) Professional Code of Ethics Statement. This code requires purchasing professionals to have due regard for their responsibilities in respect of a whole range of issues and full details of the code can be found on the CIPS website. In support of our commitment to this code of practice, we also subscribe to the European Eco Management and Audit Scheme (EMAS).

The Group Director of Purchasing is responsible for the implementation and monitoring of the Group's ethical purchasing policy which is communicated to all employees.

Environmental impact and use of natural resources

The Group produces an annual Environmental Report which explains the impacts which the Group has in terms of energy and resource consumption, emissions and waste. The 2008 Environmental Report is available on the corporate website (www.marstons.co.uk) together with the Group's Environmental Policy Statement.

Our business — both pubs and breweries — impacts on the environment and local communities in a number of ways by:

- Using raw materials and agricultural products
- Using energy (gas and electricity) and water
- Emitting greenhouse gases, odours and noise
- Transportation, delivery and distribution of our products and employees
- Generating packaging which requires disposal; and
- Production, disposal, collection and processing of our waste solids and effluents

Of these six areas, we have identified that our largest environmental impacts are in the areas of energy consumption, water use and waste production, and we have prioritised the management of these accordingly.

Environmental data

	Unit	**2008**	2007
Consumption/usage			
Gas	GWH	**163.5**	214.8
Electricity	GWH	**93.2**	96.3
Water (breweries)	'000 M^3	**698.0**	672.4
Fossil fuel (diesel)*	'000 gallons	**557.1**	511.3
Emissions (CO^2)	'000 tonnes	**83.4**	87.4

* Company car fuel usage is not currently measured and is excluded from the calculation of carbon dioxide emissions and fuel usage. The fuel figures shown are for the distribution fleet.

In the 2008 Environmental Report the Company explains its environmental impact in depth and publishes figures for energy consumption for the Group as well as emission volumes of carbon dioxide from fossil fuel consumption — electricity, gas and transport fuel (distribution fleet). The only greenhouse gas directly produced by the brewing process in significant volume is carbon dioxide. The report also sets out the efficiency ratios achieved by our operations at each brewing site in terms of carbon dioxide emitted per tonne of product and water consumption per barrel of product.

Our largest production sites at Wolverhampton and Burton comply with the Integrated Pollution Prevention and Control (IPPC) standards as regulated by the Environment Agency. The IPPC Permit is issued by the Environment Agency once a year and allows the site to process, ferment and package beer and associated products. The Permit sets out the authorised emissions to the air and sewers, and the controls expected to reduce any environmental impact. The Permit specifies the standards of management expected for:

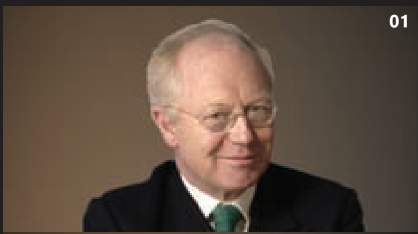
- training;
- maintenance of plant and equipment;
- incidents and complaints;
- efficient use of raw materials;
- waste storage, handling, recovery and disposal;
- energy efficiency;
- noise and vibration levels;
- monitoring, recording and reporting; and
- closure and decommissioning of plant and equipment

The Environment Agency conducts an annual audit of the Wolverhampton and Burton breweries and will, if necessary, raise points of improvement which must be confirmed as completed by agreed dates.

FTSE4Good

The Company was admitted into the FTSE4Good Index in September 2007. Inclusion within the index is dependent upon achieving and maintaining an expected standard in corporate responsibility including our policy towards monitoring and targeting reductions in its environmental impact. This is challenging, not least because the criteria continue to evolve to take into account responsible business practices around the world.

DIRECTORS & ADVISERS



01 DAVID THOMPSON † (54)
CHAIRMAN
MARSTON'S PLC

Joined the Company in 1977 and appointed to the Board in 1980. Appointed Managing Director in 1986 and Chairman in 2002. Non-executive Director of Persimmon PLC, Tribal Group PLC, Caledonia Investments PLC, Anglia Maltings (Holdings) Limited and Smiths Flour Mills Limited.

02 RALPH FINDLAY FCA † (47)
CHIEF EXECUTIVE
MARSTON'S PLC

Appointed to the Board as Finance Director in 1996 becoming Chief Executive in 2001. Previously worked as Financial Controller at Geest plc and Treasury Manager at Bass plc.

03 PAUL INGLETT FCMA (41)
FINANCE DIRECTOR
MARSTON'S PLC

Joined the Company in 1992 on the acquisition of Camerons following a role at Brent Walker Breweries as management accountant. Held various senior financial roles within the Group and was appointed to the Board as Finance Director in 2002.

04 DEREK ANDREW MBE (53)
MANAGING DIRECTOR
MARSTON'S INNS AND TAVERNS
MARSTON'S PLC

Joined the Company in 1980. Held a range of managerial positions within the Company including Managing Director of Camerons Brewery before being appointed to the Board in 1994. He became Managing Director of Marston's Inns and Taverns in 2001 and in the same year was awarded an MBE for services to the community and industry.

05 ALISTAIR DARBY (42)
MANAGING DIRECTOR
MARSTON'S BEER COMPANY
MARSTON'S PLC

Appointed to the Board in 2003 on his appointment as Managing Director of Marston's Beer Company. In 2008 he became Managing Director of Marston's Pub Company. He is Chairman of the All Party Parliamentary Beer Group Steering Committee.

06 STEPHEN OLIVER (50)
MANAGING DIRECTOR
MARSTON'S PUB COMPANY
MARSTON'S PLC

Joined the Company on the acquisition of Marston, Thompson & Evershed and became Managing Director of Marston's Pub Company on his appointment to the Board in 2001. In 2008 became Managing Director of Marston's Beer Company. A Trustee of the Burton Brewers' Charitable Trust.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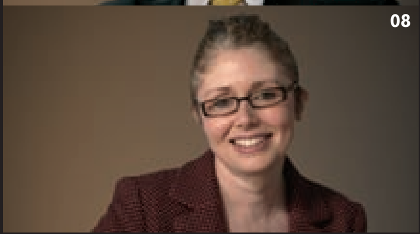
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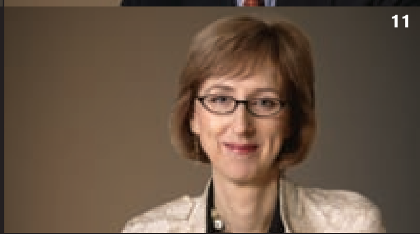
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07 NEIL GOULDEN * † (54)
NON-EXECUTIVE DIRECTOR
MARSTON'S PLC
Appointed in April 2008. Deputy Chairman of The Gala Coral Group Limited, Chairman of the South Central Ambulance Service NHS Trust and a member of the Low Pay Commission and Chairman of Business in Sport and Leisure. Formerly held Board positions at Ladbrokes PLC, The Compass Group PLC, Chef and Brewer and Allied Leisure PLC.

08 ROSALIND CUSCHIERI * † (41)
NON-EXECUTIVE DIRECTOR
MARSTON'S PLC
Appointed in October 2006. Commercial director of Warburtons Limited and previously with Scottish and Newcastle plc responsible for the off-trade category marketing.

09 MILES EMLEY * † (59)
NON-EXECUTIVE DIRECTOR
MARSTON'S PLC
Appointed in 1998. Chairman of St Ives PLC. Former Director of NM Rothschild & Sons Limited and UBS Phillips and Drew.

10 ROBIN HODGSON (66)
— THE LORD HODGSON OF ASTLEY ABBOTTS CBE * †
NON-EXECUTIVE DIRECTOR
Appointed in 2002. Chairman and Director of Nova Capital Group Limited, Johnson Brothers & Co Limited, Tenet Group Limited and RFIB Group Limited.

11 ANNE-MARIE BRENNAN (46)
COMPANY SECRETARY
Joined the Company in 1997 and appointed Company Secretary in 2004.

* Member of the Remuneration and Audit Committees
† Member of the Nomination Committee

ADVISERS

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Equiniti Registrars,
Aspect House, Spencer Road,
Lancing, West Sussex, BN99 6DA.
Shareholder queries: 0870 600 3970
www.shareview.co.uk

Auditors
PricewaterhouseCoopers LLP,
19 Cornwall Street, Birmingham, B3 2DT

Merchant bankers
NM Rothschild & Sons Limited,
New Court, St Swithin's Lane, London, EC4P 4DU

Solicitors
Freshfield Bruckhaus Deringer LLP,
65 Fleet Street, London, EC4Y 1HS

Wragge & Co LLP,
55 Colmore Row, Birmingham, B3 2AS

Stockbrokers
RBS Hoare Govett,
250 Bishopsgate, London, EC2M 4AA

Blue Oar Securities,
30 Old Broad Street, London, EC2N 1HT

Company Secretary and registered office
Anne-Marie Brennan
Marston's House, Brewery Road,
Wolverhampton, WV1 4JT
Registered Number: 31461

DIRECTORS' REPORT

The Directors present their report, together with the audited financial statements of the Group for the 53 week period ended 4 October 2008.

Principal activity

The Group's principal activities are operating managed, tenanted and leased public houses, brewing beer and wholesaling beer, wines and spirits.

Business Review

The Chairman's Statement on pages 2 and 3 and the Business Review on pages 8 to 23 provide detailed information relating to the Group and its strategy, the operation of its divisions and the results and financial position for the financial period ended 4 October 2008.

Details of the principal risks and uncertainties facing the Group are set out in the Corporate Governance Report on pages 28 to 32.

All of the above are incorporated by reference in (and shall be deemed to form part of) this report.

Dividends

An interim dividend of 4.80p per ordinary share was paid on 27 June 2008. The Directors recommend a final dividend of 8.47p per ordinary share to be paid on 30 January 2009 to shareholders on the register on 19 December 2008. This would bring the total dividend for the period ended 4 October 2008 to 13.27p per ordinary share (2007: 12.83p). The payment of the final dividend is subject to shareholder approval at the Annual General Meeting (AGM).

Research and development

The Group supports in-house research and development as well as through the British Beer and Pub Association and Brewing Research International.

Treasury management

The Group's policy on the use of financial instruments is set out in note 1 to the financial statements on page 49.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the period, are shown in note 10 to the financial statements on page 86. The Company has one class of ordinary shares and one class of preference shares which carry no right to fixed income. On a poll vote, ordinary and preference shareholders have one vote for every 25p of nominal value of ordinary and preference share capital held in relation to all circumstances at general meetings of the Company.

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

Details of employee share schemes are set out in note 26 to the financial statements on page 72. Shares held by the Employee Benefit Trust abstain from voting.

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

Under its Articles of Association, the Directors have authority to issue up to an aggregate nominal amount of £1,032,986 of the Company's share capital as set at the 2008 AGM.

Change of control

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

Directors and their interests

Details of changes to the Board during the period and of the Directors offering themselves for reappointment at the AGM are set out on page 28.

Details of Directors' service agreements are set out in the Directors' Remuneration Report on page 33.

The interests of the Directors in the shares of the Company are shown on page 36.

Biographies of the Directors currently serving on the Board are set out on pages 24 and 25.

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries.

Supplier payment policy

The Group's payment policy follows the CBI's Prompt Payment Code for all suppliers. Copies of this Code can be obtained from the Company's registered office. Trade payables for the Group at the financial period end are estimated as representing 42 days' purchases (2007: 37 days' purchases) and for the Company were nil (2007: nil).

Contributions for political and charitable purposes

Donations to charitable organisations during the period amounted to £14,000 (2007: £12,500). These were made across the divisions to various local and national charities, further details of which can be found in the Corporate and Social Responsibility Report on pages 22 and 23.

The Group's policy is not to make any donations for political purposes in the UK or to donate to EU political parties or incur EU political expenditure. Accordingly, neither the Company nor its subsidiaries made any political donations or incurred political expenditure in the financial period under review (2007: nil).

Environmental policy

Environmental policy is determined by the Board. Performance against preset objectives is reviewed regularly by a committee of the Board chaired by Stephen Oliver, Managing Director of Marston's Beer Company. Further details can be found in the Corporate and Social Responsibility Report on page 23 and in the 2008 Environmental Report on www.marstons.co.uk.

Substantial shareholdings

As at 5 December 2008, the Company had been notified under the Disclosure and Transparency Rules and, for the Preference Shares, with reference to the Register of Members, of the following substantial interests in the share capital of the Company:

Ordinary shares of 7.375p each

Shareholder	Number	%
Prudential Plc	24,145,574	8.40
Legal & General Group Plc	11,521,335	4.24
AXA S.A.	11,245,224	4.14

Preference shares

Shareholder	Number	%
Fiske Nominees Ltd	34,048	45.40
Medlock & Medlock Ltd	6,750	9.00
George Mary Allison Ltd	5,500	7.33
Mrs A Somerville	5,500	7.33
Mr P F Knowles	4,356	5.81
Mr A W R Medlock	3,657	4.88
R C Greig Nominees Ltd	3,283	4.38
Mr A F Southall	2,855	3.81

Authority to purchase shares

The Company was given authority at its AGM in 2008 to make market purchases of ordinary shares up to a maximum number of 41,991,752 shares. Similar authority will again be sought from shareholders at the 2009 AGM. Market purchases made during the period were made pursuant to the £150 million share buy-back programme previously announced on 25 May 2007 and completed in December 2007.

Employees

The average number of employees within the Group is shown in note 5 to the financial statements on page 55.

Further details of arrangements relating to employees are described in the Corporate and Social Responsibility Report on pages 21 to 22.

Auditors

In the case of each of the persons who are Directors of the Company at the date when this report was approved the following applies:

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

Relevant audit information means information needed by the Company's auditors in connection with preparing their report. This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

PricewaterhouseCoopers LLP has indicated its willingness to continue as auditors. A resolution to reappoint them will be proposed at the 2009 AGM.

The reappointment of PricewaterhouseCoopers LLP has been approved by the Audit Committee, who will also be responsible for determining their audit fee on behalf of the Directors.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The financial position of the Group is described on pages 19 to 20. In addition, note 20 to the financial statements on page 45 includes the Group's objectives, policies and processes for managing its exposures to interest rate risk, foreign currency risk, counterparty risk, credit risk and liquidity risk. Details of the Group's financial instruments and hedging activities are also provided in note 20.

The Board has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements set out on pages 44 to 79 and 81 to 87 have been prepared on the going concern basis.

Annual General Meeting

The AGM of the Company will be held at Warwickshire County Cricket Ground at 12 noon on 23 January 2009. The notice convening the meeting, together with details of the special business to be considered and explanatory notes for each resolution, is distributed separately to shareholders. It is also available on the Company's website: www.marstons.co.uk, where a copy can be viewed and downloaded in a 'pdf' format which may be printed or saved by following the link to Investors and then Financial Reports.

By order of the Board

Anne-Marie Brennan
Company Secretary
5 December 2008

CORPORATE GOVERNANCE REPORT

The Board of Directors of Marston's PLC recognises that strong corporate governance procedures and adherence to best practice are integral factors in improving Group performance and maintaining investor confidence. The Board is committed to the highest standards of corporate governance.

Compliance statement

This report describes how Marston's PLC has applied the principles of good corporate governance as set out in the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2006 (Combined Code). Throughout the financial period ended 4 October 2008, the Company has complied with the provisions set out in section 1 of the Combined Code apart from the matter detailed below.

The Company did not comply with provision A.3.2 which states that at least half of the Board, excluding the Chairman, should comprise independent Non-executive Directors.

Board membership

During the period, the Board comprised five Non-executive Directors, one of whom was the Chairman, and five Executive Directors. The Non-executive Directors all possess a wide range of skills and experience. All exercise independent judgement although David Thompson, the Chairman, cannot be considered independent under the requirements of the Code because of his past experience as a long-serving Executive Director. The Board considers that the current balance of Executives and Non-executives is such that no one individual or small group can dominate the Board's decision making by virtue of the strength of character and experience possessed by the independent Non-executive Directors. This is further strengthened by the process by which matters are disclosed to, and decisions are taken by, the Board.

All Directors are subject to election by shareholders at the first opportunity following appointment and to re-election at intervals not exceeding three years. Non-executive Directors are appointed for terms of three years. In addition, Miles Emley, who has served on the Board for more than nine years, is subject to annual re-election. Lord Hodgson, Derek Andrew, Rosalind Cushieri and Miles Emley are standing for re-election at the forthcoming Meeting (AGM). Neil Goulden, who was appointed since the last AGM, is standing for election.

Directors' biographical details are set out on pages 24 and 25.

Division of responsibilities

In accordance with the Combined Code, separate individuals, David Thompson and Ralph Findlay, are appointed to the positions of Chairman and Chief Executive respectively. The Chief Executive is responsible for implementing strategy and running the business in accordance with the objectives agreed by the Board. The Executive Committee, comprising the five Executive Directors, meets weekly to discuss operational matters. The Board is briefed on the decisions reached by the Committee including those involving risk management, health and safety issues and property transactions below a specified financial authority limit.

Directors' independence

The Chairman and the other Non-executive Directors contribute external expertise and experience in areas of importance to the Group such as corporate finance, general finance, corporate strategy, environmental matters, general management and corporate governance. They also provide independent challenge and rigour to the Board's deliberations. Lord Hodgson served as the Senior Independent Director during the period. He chairs the Remuneration Committee and is a member of the Audit and Nomination Committees. The Non-executive Directors, led by the Senior Independent Director, meet at least once a year, without the Chairman present, where there is an opportunity for them to appraise the Chairman's performance.

Directors' interests and remuneration

The Directors' Remuneration Report, which includes a statement on the Company's policy on Directors' and senior managers' remuneration, is set out on pages 33 to 40. The Remuneration Report also provides details of the Directors' service agreements, emoluments, and their interests in the shares of the Company and in awards or options over such shares granted under the Company's employee share schemes.

No Director had a material interest at any time during the period in any contract of significance, other than their service contract as shown in the Directors' Remuneration Report on page 33, with the Company or any of its subsidiary undertakings.

During the period the Chairman, David Thompson, continued his appointment as Executive Director of Ragleth Limited (Ragleth), the controlling shareholder of Anglia Maltings (Holdings) Limited. He has no controlling interest in Ragleth and consequently the transactions between the Group and Ragleth are not Related Party Transactions as defined by International Financial Reporting Standards. David Thompson has continued his appointment on the basis of Ragleth allowing him sufficient time to devote to the chairmanship of the Company and the Board considers this arrangement to be satisfactory.

Following the amendment of the Company's Articles of Association by a special resolution passed at the Company's 2008 AGM, the Company adopted a new procedure for authorising Directors' conflicts of interest and potential conflicts of interest in accordance with the provisions of the Companies Act 2006 with effect from 1 October 2008. The new procedure, and how it differs from the procedure in place up to 1 October 2008, was summarised in the explanatory notes to the Notice of the Company's 2008 AGM. The new procedure is included in the Company's Articles of Association and has been adhered to by the Board since 1 October 2008.

Directors' insurance and indemnities

The Group maintains Directors' and officers' liability and indemnity insurance to cover its Directors and officers against the costs of defending themselves in civil proceedings brought against them in that capacity, and in respect of damages resulting from any unsuccessful defence of any proceedings.

Directors' terms and conditions of appointment

The terms and conditions of appointment of the Directors are available for inspection by any person at the Company's registered office during normal business hours and will be available at the AGM.

Board meetings and attendance

The Board has regular scheduled meetings throughout the year and all Directors receive notice of such meetings and have the opportunity to comment on the matters under discussion. The Board had eleven scheduled meetings and four additional meetings of principal Committees of the Board during the year. Details of the Board and principal Committees' meetings attended by each Director during the year are set out in the table below.

Name	Board	Rem.	Nom.	Audit
David Thompson	11 (11)	—	4 (4)	—
Lord Hodgson	10 (11)	4 (4)	3 (4)	3 (4)
Miles Emley	11 (11)	4 (4)	4 (4)	4 (4)
Rosalind Cuschieri	11 (11)	4 (4)	4 (4)	4 (4)
Ralph Findlay	11 (11)	—	4 (4)	—
Derek Andrew	11 (11)	—	—	—
Alistair Darby	11 (11)	—	—	—
Stephen Oliver	11 (11)	—	—	—
Paul Inglett	11 (11)	—	—	—
Neil Goulden*	6 (6)	—	—	—
Peter Lipscomb†	4 (4)	2 (2)	2 (2)	1 (1)

* Neil Goulden was appointed on 31 March 2008.

† Peter Lipscomb resigned on 25 January 2008.

Board procedures

The Board has ultimate responsibility for ensuring that the Company is properly managed and achieves the strategic objectives it sets. It has an agreed schedule of matters reserved to it, which includes setting long-term strategic and business objectives, overseeing the Company's internal control systems and ensuring that appropriate resources are in place to enable the Company to meet its objectives.

The Chairman has prime responsibility for the effective workings of the Board and agrees the agenda in consultation with the Chief Executive and Company Secretary.

Board papers, including reports from each of the Executive Directors responsible for the Group's operating businesses or key central functions, are circulated in advance of each meeting. In addition to the Board meetings, the Chairman meets informally with the Non-executive Directors without the Executive Directors present.

Board effectiveness

Induction

On joining the Board, Directors are provided with a full induction programme tailored to their individual requirements covering meetings and briefings with divisional Directors and senior management, including notes on the Group structure, trading divisions, financial reports and business plans, information on corporate governance and Group policies. Visits to sites across the Group are also arranged for new Directors joining the Board.

Continuing professional development

There is an agreed procedure in place which allows Directors to take independent professional advice in the course of their duties and all Directors have access to the advice and services of the Company Secretary and to independent legal advice. Formal training sessions are arranged on a regular basis to update the Board on best practice and changes in legislation such as the Companies Act 2006.

Performance and effectiveness reviews

In line with previous years, the Chairman conducted a review of the Board, its Directors and Committees through consultation with each Director and discussion with the Senior Independent Director. The Non-executive Directors also met, without the Chairman being present. This was to consider the governance of the Board and the Group, including the performance of the Chairman. All of these matters were considered and the Directors concluded that the Board continues to operate effectively. Where relevant, and not in respect of their own performance, the Chairman and the Chief Executive were involved in evaluating the composition of the Board and Committees, the meeting process, information and training, leadership, effectiveness and compliance with the Combined Code. The results of the review were reported back to the Board and the action points that arose have been incorporated into the administration of future meetings. The Board is satisfied with its own composition, meeting process and minute recording, and that of its Committees. Collectively, the Board is satisfied it has all of the necessary skills, experience and qualities to lead the Company.

Board committees

The Board has established an effective Committee structure to assist in the discharge of its responsibilities. The terms of reference of the Audit, Remuneration and Nomination Committees comply with the provisions of the Combined Code and are available for inspection on the Company's website (www.marstons.co.uk). Alternatively, they may be obtained on written request from the Company Secretary at the address given on the back cover of the Annual Report.

The membership of all Board Committees is set out on pages 24 to 25.

Audit Committee

The Audit Committee comprises Miles Emley (Chairman), Lord Hodgson, Rosalind Cuschieri and Neil Goulden (with effect from 31 October 2008). The Board considers that both Miles Emley and Lord Hodgson have recent and relevant financial experience in accordance with the requirements of the Combined Code and that the appointment of Neil Goulden brings further experience to the Committee. By invitation of the Committee, other individuals such as the Chief Executive, Finance Director and Corporate Risk Manager will normally be in attendance for all or part of those meetings. Annually, the external auditors meet with the Committee without any Executive Directors being present.

CORPORATE GOVERNANCE REPORT CONTINUED

The Committee met four times during the period to review the results of the full year audit, approve the interim results, consider the risks to the Group and the effectiveness of the Company's internal controls and risk management systems, review the performance of the external auditors and provide guidance on the internal audit strategy. The Committee also monitors the relationship with the external auditors, agrees their scope of work and approves their audit fees. Annually it assesses the cost-effectiveness, objectivity and independence of the external auditors. The Committee also has responsibility for the Group's whistleblowing policy and annually reviews its arrangements under this policy.

When appointing advisers for non-audit work the Group considers the value for money, experience and objectivity required and in this respect it has used other accounting firms for a range of non-audit work. The Group also uses the external auditors for non-audit services such as taxation advice and planning. Where non-audit work is expected to be in excess of an agreed monetary amount, the chairman of the Audit Committee must approve the use of the external auditors. The level of non-audit services provided by the auditors and the associated fees are considered annually by the Committee, in the context of the auditors' independence, as part of the Committee's review of the adequacy and objectivity of the audit process. In reaching this conclusion the Committee considered a report prepared by PricewaterhouseCoopers LLP prior to the period end, reviewing the potential threats to their objectivity and independence in the light of the ethical standards issued by the Auditing Practices Board. Where a potential risk was identified the Committee was satisfied that the safeguards that the external auditors had put in place were sufficient to prevent a threat to their independence and objectivity.

The Audit Committee has reviewed the risk management process and the procedures by which the Board reviews effectiveness of the system of internal control during the period ended 4 October 2008 and has reported to the Board on the outcome of this review.

Remuneration Committee

The Remuneration Committee comprises Lord Hodgson (Chairman), Miles Emley, Rosalind Cuschieri and Neil Goulden (with effect from 31 October 2008) with Ralph Findlay in attendance if required. It met four times in the period. The Remuneration Committee determines, on behalf of the Board, service contract terms, remuneration and benefits, including bonuses, for Executive Directors and senior managers. It is also responsible for the granting of LTIP awards and share options. Further information on the activities of the Remuneration Committee is given in the Directors' Remuneration Report on pages 33 to 40. The Directors' Remuneration Report also describes how the principles of the Combined Code are applied in respect of remuneration matters and includes a statement on the Company's policy on Directors' and senior managers' remuneration, benefits, share scheme entitlements and pension arrangements.

A resolution to approve the Remuneration Report will be proposed at the AGM.

Nomination Committee

The Nomination Committee is chaired by David Thompson and its members are Miles Emley, Ralph Findlay, Lord Hodgson, Rosalind Cuschieri and Neil Goulden (with effect from 31 October 2008). Other Executive Directors, senior management and external advisers may be invited to attend meetings as considered appropriate. The Nomination Committee has responsibility for considering the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors, succession planning and making recommendations so as to maintain an appropriate balance of skills and experience on the Board.

The Committee meets at least twice a year. No Director is involved in any decision regarding his or her own reappointment.

During the period the Committee met to discuss and recommend the appointment of Neil Goulden as a Non-executive Director. The appointment was made from a shortlist of candidates drawn from names provided by advisers to the Company. The Chairman, Chief Executive and the other Non-executive Directors were then each given the opportunity to meet with the shortlisted candidates and, having regard to his experience, background and other commitments, the Committee then recommended the appointment of Neil Goulden to the Board.

Shareholders

Relations with shareholders

The Board recognises the importance of representing and promoting the interests of its shareholders and that it is accountable to shareholders for the performance and activities of the Company.

The Annual Report is the principal means of communicating with shareholders. To coincide with the e-communications mailing to shareholders in June 2008, which allowed shareholders to decide whether they wished to receive information from the Company via the website or by post, the Company's website (www.marstons.co.uk) was updated to contain an archive of Annual Reports together with other information relevant to investors. This includes comprehensive share price information, financial results and financial calendars. Further shareholder information can be found on page 88.

The Board encourages shareholders to attend the Company's AGM and exercise their right to vote. The notice of meeting and related papers are sent to shareholders at least 20 working days before the meeting. Previous AGMs have been well attended and, as part of the Board's ongoing commitment to the provisions of the Combined Code, shareholders are given the opportunity to meet with the Board both before and after the AGM.

Presentations are made on the Group's activities and performance prior to the formal business of the AGM. Shareholders have the opportunity to ask questions of the Board and present their views. The chairmen of the Audit, Remuneration and Nomination Committees, together with all other Directors, will normally attend the AGM. Details of the results of proxy voting are announced after each resolution has been dealt with on a show of hands and are reported on the Company's website following the meeting.

The Company announces its results formally on a half-yearly basis and complies with its requirement to make interim management statements. Presentations are made to analysts and shareholders following the release of the interim and year end results. The Chief Executive and Finance Director also meet shareholders throughout the year. The Chairman and the Senior Independent Director are also available to meet shareholders if required. The Board receives written feedback following results presentation meetings with analysts and institutional shareholders. Major shareholders are also able to meet with new Non-executive Directors if required.

Internal control

The Group has complied with the Combined Code provisions on internal control. The Executive Directors examine, and report to the Board as necessary, the procedures required to implement in full the guidance on internal control produced by the Turnbull Committee. In addition, the Board has taken account of the Association of British Insurers guidelines on socially responsible investment and in this respect the Managing Director of Marston's Beer Company chairs a quarterly meeting of the Group's Corporate and Social Responsibility Committee.

The Board is responsible for the Group's system of internal controls and for ensuring that information supplied to shareholders presents a balanced assessment of the Group's position. It has carried out these responsibilities throughout the period. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives.

The principal elements of the system of internal control, which is designed to ensure there is an ongoing process to identify, evaluate and manage the risks to which the Group is exposed, include:

- a management structure which clearly defines authority levels, responsibility and accountability;
- a detailed formal budgeting process for all Group activities with the annual Group budget being formally approved by the Board; and
- a process to ensure Board approval is given to all major investment, divestment and strategic plans including capital expenditure, disposals and development programmes.

Significant treasury, cash management and investment matters are reviewed and approved by the Board.

The internal audit function has co-ordinated, on behalf of the Board, an annual review of the effectiveness of all the key controls of the business. This includes a Group-wide certification that internal controls are in place and are operating effectively. The internal audit function has carried out additional work on selective controls as well as aligning internal audit projects to verify the certification of effectiveness. Where weaknesses have been identified by the managers, information has also been provided on the plans to improve such controls. The results of the exercise are summarised and an overall assessment reported to the Audit Committee. The review confirmed that there is a clear link between the key risks of the business and the controls used to manage those risks. Ownership of the controls by the managers within the business is well defined and there are no significant weaknesses that require remedial actions to take place.

The Board has overall responsibility for the Group's system of internal controls and reviews the effectiveness of the system, including financial, operational, compliance and risk management, at least annually in accordance with the requirements of the Combined Code and the guidance set out within it.

Risk management and principal risks

There is a weekly review by the Chief Executive, and annually by the Board, of the risks faced by the Group. These reviews cover strategic, operational and compliance risks. Day-to-day control is implemented by the divisional management teams which report to the divisional Managing Directors.

The Group operates a risk management programme whereby key business risks are formally defined, reviewed, and assessed at regular intervals by the managers. This process is performed in conjunction with the Corporate Risk Manager. An essential part of the process involves ensuring that all the key risks have clear ownership. Managers are required to identify the key internal controls for each of the risks they are responsible for and to identify the control owners. The risks identified are classified and recorded in a Group risk register. The results are reported to the respective divisional Managing Directors who in turn prioritise the key risks for their management teams. The risks identified cascade through to an assessment of the significant corporate risks which are in turn reported to every Audit Committee meeting who in turn provide an update to the Board.

The internal audit strategy takes into account the key business risks of the Group and provides assurance to the Audit Committee on the effectiveness of the internal control environment in mitigating the risks to an acceptable level. The risk management programme provides vital information to ensure that the internal audit strategy provides sufficient coverage of the critical areas of internal control.

The following is a list of the principal risks and uncertainties faced by the Group. This list is not a comprehensive list of all significant risks and uncertainties faced by the Group. By their nature, the key risks associated with our strategic objectives can change over time.

1. Risk of not adapting to meet changes in consumer behaviour, social demographics and/or legislation

The Group manages this risk by reviewing current trends in consumer tastes and anticipating future trends, to ensure that its brands and customer experience continue to meet expectations. The Group's network of area managers have a sound understanding of sales trends at a macro level, as well as for individual managed or tenanted pubs and individual free trade accounts, information which is escalated to management.

The Group operates within a framework of licensing legislation which in the main is conducive to business. Legislative changes, particularly those to do with alcohol, can have a significant effect upon how our business operates and how we interface with our customers.

CORPORATE GOVERNANCE REPORT CONTINUED

2. **Economic risk**
   The leisure sector in which the Group operates is sensitive to economic conditions; a significant downturn in consumer discretionary spending could present a risk so the Group focuses upon providing value for money for the consumer.

   As property prices are affected by the economic downturn, there is a risk that individual pub sale proceeds or valuations could fall. Properties are therefore revalued on a regular basis using open market values, so that the carrying value does not alter significantly from its fair value at the balance sheet date.

   A prolonged economic downturn would also affect the many small businesses that we deal with through our tenanted and leased estate and our free trade accounts. Trade debt and creditworthiness are therefore actively monitored.

3. **Risks due to seasonal factors, including adverse weather**
   Trade is generally higher during traditional holiday periods and in particular during Christmas and New Year, Easter and Bank Holidays. Trade is also higher over the summer months than at other times of the year. In summer, prolonged periods of good weather generally have a positive impact on trade and in particular the use of pub gardens, whereas unseasonably wet or cold weather will have a negative impact.

4. **Risk regarding opportunities**
   The Group has an objective to develop the business both organically and by acquisition. There is a careful balance to be struck between taking advantage of opportunities in the market as they appear and ensuring that such opportunities are an appropriate fit within the existing business.

   To mitigate these risks all significant purchases of property require Board approval. Opportunities are considered in terms of their contribution to strategic objectives and against agreed financial criteria. The Group has a rigorous due diligence process to gather information on potential opportunities and to identify any incompatibility.

5. **Risk to brand reputation**
   Reputation is central to our business and essential to long-term success and the Group consistently strives for stronger controls to reduce the impact of potential threats.

   A strong control environment is operated to protect and enhance reputation and build on brand values. This requires a consistent focus on the quality of our brewing, the training of our staff and the level of support provided to our managed, tenanted and leased pubs.

6. **Information technology risk**
   The integrity and smooth operation of the Group's IT systems is critical to the overall efficient management of our business. There is a risk that serious disruption could result if the system failed for an extended period of time or if backed up information was lost, or could not be recovered swiftly.

   In order to protect against these risks, comprehensive controls are in place to protect our servers from physical disturbance and to protect data from outside interference. The controls ensure that data is routinely backed up and that a recovery can be achieved within an acceptable timescale.

7. **Pension fund risk**
   There is a risk that the deficit could increase in the future within the Marston's PLC Pension and Life Assurance Scheme. A deficit could occur as a result of the equity market underperforming, an inappropriate mix of equity and debt, or an increase in expected life longevity. A triennial review is carried out by the pension trustees in order to identify any additional funding requirement from the Group.

8. **Funding risk**
   The Company manages its funding risk through long-term debt arrangements, which are supplemented by committed bank facilities.

   The Group is principally funded through securitised debt and bank borrowings. The Group has £1,097 million of gross securitised debt at the period end with a legal capital repayment profile from 2008 to 2035. In addition, the Group has a £400 million committed bank facility. of which £234 million was drawn down, and £166 million was unutilised, at the period end. The bank facility is due for renewal in August 2010.

9. **Counterparty risk**
   The key area of counterparty risk relates to cash and borrowings. The risk on cash is mitigated by using three UK banking institutions for deposits and the risk on borrowings is mitigated through the bank facility being syndicated across a number of banks.

   There is no significant concentration of counterparty risk in respect of the Group's pension scheme assets as these are held with a range of institutions. The Company has a wide customer and supplier base and hence there is limited counterparty exposure in these areas.

DIRECTORS' REMUNERATION REPORT

Composition and Terms of Reference of the Remuneration Committee

The Remuneration Committee is appointed by the Board and comprises Lord Hodgson (Chairman), Miles Emley and Rosalind Cuschieri, all of whom are regarded as independent Non-executive Directors. On 31 October 2008 Neil Goulden, an independent Non-executive Director, became a member of the Committee.

The Committee is responsible for setting the framework and policy for the remuneration of the Executive Directors, which it reviews annually for appropriateness and relevance. It is also responsible for determining the specific elements of the Executive Directors' remuneration, their contractual terms and compensation arrangements. In addition, the Committee monitors the level and structure of remuneration for senior management and approves their bonus payments. It also oversees any major changes in employee benefit structures throughout the Group. The Terms of Reference of the Committee can be found in the Investors' section of the Group's website at www.marstons.co.uk.

In setting policy and compensation levels, the Remuneration Committee has due regard to the Combined Code. The Committee took advice on specific issues during the period from the Chief Executive, Ralph Findlay, who did not, however, provide any advice in relation to his own remuneration. Deloitte & Touche LLP (Deloitte) are retained by the Company to provide independent advice with regard to general remuneration levels and comparator group information for Executive Directors. Deloitte was also independently appointed by the Company to assist with specific internal audit projects, as directed by the Corporate Risk Manager.

Remuneration policy

The Group's remuneration policy is to ensure that the remuneration of Executive Directors is sufficiently competitive to enable the Group to retain and motivate existing Directors and attract high quality performers in the future. The Committee undertakes an annual review of market practice and considers the remuneration levels of directors in companies of similar size from within and outside the industry sector. The Group aims to incentivise and reward its Executive Directors in a way that is consistent with the Group's commercial objectives and to align the interests of the Directors with those of shareholders. To achieve this, the Executive Directors' total remuneration comprises both fixed remuneration and variable reward, the latter reflecting both Company performance and individual achievement. The main fixed and variable elements of remuneration for Executive Directors are set out in the adjacent column. Only the basic salary element is pensionable.

Fixed	**% of salary**
■ Basic salary	
■ Benefits in kind (detailed in the notes to the Directors' emoluments table on page 36)	
■ Pension benefits	
Variable	
■ Annual award of share options under the Long Term Incentive Plan (LTIP), vesting after 3 years, subject to performance conditions being met	up to 100%
■ Annual bonus related to Company performance and individual objectives	up to 100%

The Group's remuneration policy in respect of Non-executive Directors is to pay annual fees which reflect the responsibilities and duties placed upon them, whilst also having regard to market practice.

Service contracts

The Group's policy is that all Executive Directors' contracts are on a rolling 12 month basis. They are subject to 12 months' notice when terminated by the Group and 6 months' notice when terminated by the Executive Director. David Thompson has a 6 month rolling contract. The table below details the Directors' service contracts.

Payments to Directors upon termination of their contracts will be equal to the Director's basic salary for the duration of the notice period. There is no reduction for mitigation or for early payment for those listed below. The Remuneration Committee has taken the view that since the current Executive Directors are all long-standing employees of the Group, they would merit full compensation in the event of unilateral termination of their employment by the Group. This would not necessarily apply to new appointments.

With the exception of David Thompson, the Non-executive Directors do not have a service contract and their appointments may be terminated without compensation at any time. All Non-executive Directors have letters of appointment and their appointment and subsequent reappointment is subject to approval by shareholders.

The Committee has reviewed these arrangements in the light of current market practice and the relevant provisions of the Combined Code and considers that they are appropriate and in the interests of shareholders, the Group and the individuals concerned.

	Date of Contract	Notice Period (Group) months	Notice Period (Director) months
Derek Andrew	22 July 2004	12	6
Alistair Darby	16 May 2003	12	6
Ralph Findlay	15 Aug 2001	12	6
Paul Inglett	22 Mar 2002	12	6
Stephen Oliver	15 Aug 2001	12	6
David Thompson	24 Jan 2002	6	6

DIRECTORS' REMUNERATION REPORT CONTINUED

Salaries

Salaries for Executive Directors were reviewed as at 1 October 2007 following an independent review of executive remuneration by Deloitte. This review included consideration of the packages offered by appropriate comparator companies having regard to their comparable size, complexity and sector.

As stated above, the aim of the Group is to provide a competitive remuneration package to attract, retain and motivate key executives. In this regard, salaries for the Executive Directors are targeted at remaining competitive compared to appropriate comparator companies. When positioning the Executive Directors' base salaries the Committee considers:

- Salary levels for similar jobs in appropriate comparator companies;
- The performance, experience and relative responsibilities of the individual;
- The balance between fixed and variable reward; and
- Relative remuneration levels throughout the organisation.

No Executive Directors earn fees outside their employment with the Company.

Bonuses

Bonus objectives for Executive Directors are set based on a combination of Group profit achievement and personal objectives. The level of bonus payments awarded is dependent on the level of performance achieved and is determined by the Remuneration Committee who retain discretion over the level of payout depending on the quality of the financial performance in achieving the result. At the start of the year the Remuneration Committee approved a change to the rates of payout for all bonus schemes paid to management within the Group. The reasoning behind this was to balance the focus between personal performance and profit performance and, for managers below Director level, to allow the profit performance to be split further between divisional and Group profit. In addition, the maximum bonus payout for Executive Directors was increased to 100% to bring it more into line with companies of comparable size and complexity. Of this 100%, a maximum 50% is awarded for profit achievement and a maximum 50%, awarded at the discretion of the Remuneration Committee, is for personal performance. In all other respects the terms and conditions for bonus payments are unchanged from previous periods.

The performance targets and KPIs are reviewed annually and relate to financial trading targets and other quantitative objectives all of which are commercially sensitive and are therefore not included in this report. Whilst the Committee cannot disclose the actual targets, it is satisfied that these are appropriately challenging for the level of awards that vest. Under the 2007/2008 annual bonus scheme no bonuses were paid to the Executive Directors.

Share incentive schemes

The Group operates executive share option schemes, a Long Term Incentive Plan and a Save As You Earn share option scheme. No options have been granted under the executive share option schemes since 2003.

Executive share options

The 1994 Executive Share Option Scheme is an HMRC approved scheme and the 1997 Executive Share Option Scheme is a non-HMRC approved scheme used to make awards to Executive Directors and other selected employees above their £30,000 tax efficient limit. The 1994 scheme expired in January 2004 and this, together with the 1997 scheme, was replaced by the 2004 Executive Share Option Scheme which was approved by shareholders at the Annual General Meeting (AGM) held on 23 January 2004. Executive share options are awarded at the prevailing market rate on the date of grant. Options are normally exercisable between three and ten years after grant and upon the achievement of stated performance criteria.

The exercise of executive share options granted under the 1994 and 1997 schemes was subject to the Group achieving growth in earnings per share (EPS) in excess of the growth in the retail price index (RPI) by an average of 2.0% per year over a three-year performance period. For the 2004 scheme, the growth in EPS must be in excess of the growth in RPI by an average of 3.0% per year over a three-year performance period before an option becomes exercisable. At this level of performance the value of shares under option which will vest will be up to 100% of base salary.

The maximum value of options vesting is up to 200% of salary where the growth in EPS exceeds the growth in RPI by an average of 9.0% per year. Between these two growth rates a straight line vesting of options operates. There are no re-testing provisions under any of the schemes. The Remuneration Committee retains the discretion to change the performance measures for future awards, if appropriate, provided the new conditions are no less stretching. The levels of the target and maximum awards will not be increased without shareholder approval. The Committee believes the EPS performance conditions to be appropriate and provide proper alignment with the Group's overall performance.

Long Term Incentive Plan (LTIP)

The Group introduced the LTIP following shareholder approval at the AGM in January 2004. Both Executive Directors and senior managers are eligible to participate and the maximum annual conditional award of nil cost options that can be made to an individual is equivalent to 100% and 35% of salary respectively. The options granted during the period will only become exercisable (vest) if the performance conditions are met and the participant satisfies the minimum shareholding requirement. The minimum shareholding requirement, as a percentage of salary, required to participate in the LTIP is 100% for Directors and 35% for senior managers. Spouse holdings for both Directors and senior managers are included in satisfying this requirement. The options will vest to the extent that the Group's growth in EPS exceeds the growth in RPI over a period of three years. There will be no re-testing provisions if the performance conditions are not met.

Where the growth is at least 3% compound in excess of the increase in RPI over the three-year performance period, then 35% of the options awarded will vest.

Where the excess growth is at least 9% over the period, then 100% of the options will vest.

A sliding scale operates between these two points.

If these performance conditions or the minimum shareholding requirement are not met, then those relevant options will lapse on the first date that they would otherwise have vested.

Once the options have vested the participant may choose to exercise the option at any time thereafter provided they remain with the Company. Alternatively, they may retain the option but if the Remuneration Committee so determines then, following vesting but before exercise, the participant may be allowed to diversify up to 50% of their risk (switch) such that the number of Company shares under option ultimately receivable will then be determined by reference to the movement in value of other securities. Following a switch an option holder may still exercise their option at any time (subject to the rules of the plan) and the exercise will be satisfied via Company shares.

During the period the LTIP options granted in 2005 vested on the participants to the extent that the performance conditions had been met. Applying the performance measure of EPS growth in excess of RPI growth over the three year performance period, 61% of the options originally granted vested on the participants. The Remuneration Committee did not consider it appropriate to offer a switching opportunity on this occasion.

The Remuneration Committee does not intend to make awards under both the LTIP and the 2004 Executive Share Option Scheme in the same year.

The Remuneration Committee is of the view that the current performance criteria and vesting schedules remain appropriate to the Group's circumstances and to shareholder value. Real growth in EPS performance was chosen as the measure for awards under the LTIP because it is transparent and creates a direct line of sight for senior management to increase shareholder value. The Committee will regularly review the performance conditions for future awards to ensure that they are appropriate for the Group and the prevailing market.

Save As You Earn share options (SAYE)

The Group also operates an HMRC approved SAYE plan which is open to all eligible employees, including the Executive Directors.

This year's invitation was extended to all employees who had 2 years' continuous service. Previously, only those with 3 years' continuous service were eligible.

There have been no other changes from the previous year to the terms and conditions of any of the Company's share incentive schemes.

Invitations are usually offered annually for a savings contract of 3, 5 or 7 years subject to the maximum monthly savings limit of £250. Options are granted at a discount of 20% of the market value of the Company's shares at the date of grant, subject to the agreement of the Remuneration Committee, and their exercise is not subject to performance conditions.

Non-executive Directors' fees and benefits (audited information)

The fees for the Chairman and Non-executive Directors are determined by the Board as a whole and are normally reviewed every two years. They will next be reviewed in October 2009. The composition of fees for 2007/2008 were as follows:

■ A basic fee	£34,000 per annum
■ Chair of the Remuneration Committee	£5,000 per annum
■ Chair of the Audit Committee	£6,000 per annum
■ Senior Independent Director	£5,000 per annum

The Non-executive Directors do not participate in any of the Group's incentive plans, nor do they receive any benefits or pension contributions from the Group, with the exception of David Thompson whose benefits are as set out on pages 36 and 39.

DIRECTORS' REMUNERATION REPORT CONTINUED

Interests of Directors

In accordance with Listing Rule 9.8.6R(1), the interests of the Directors and their connected persons in the ordinary share capital of the Company as at 4 October 2008 were:

	Ordinary Shares of 7.375p	
	2008	2007
Derek Andrew	**355,636**	232,244
Rosalind Cuschieri	**1,356**	1,356
Alistair Darby	**125,604**	95,984
Miles Emley	**35,248**	35,248
Ralph Findlay	**357,260**	278,480
Neil Goulden	**10,000**	—
Lord Hodgson	**36,720**	12,720
Paul Inglett	**148,632**	92,052
Stephen Oliver	**128,036**	90,880
David Thompson	**1,186,948**	752,772

Directors' emoluments (audited information)

The emoluments of the Directors for their services as Directors of the Group for the period ended 4 October 2008 were:

	Salary/ Fees £	Bonus £	Non-cash benefits(3) £	Other cash benefits(4) £	**2008 Total £**	2007 Total £
Executive Directors						
Derek Andrew	260,718	—	708	14,412	**275,838**	298,748
Alistair Darby	242,976	—	991	13,500	**257,467**	285,712
Ralph Findlay	434,720	—	991	16,200	**451,911**	495,875
Paul Inglett	260,150	—	991	13,500	**274,641**	300,116
Stephen Oliver	260,150	—	991	13,500	**274,641**	298,304
	1,458,714	—	4,672	71,112	**1,534,498**	1,678,755
Non-executive Directors						
David Thompson	132,000	—	991	16,200	**149,191**	151,161
Peter Lipscomb (to 25/01/08)	13,990	—	—	—	**13,990**	44,000
Lord Hodgson(1)	42,415	—	—	—	**42,415**	34,000
Miles Emley	40,000	—	—	—	**40,000**	40,000
Rosalind Cuschieri(1)	34,000	—	—	—	**34,000**	34,000
Neil Goulden(2)	17,131	—	—	—	**17,131**	—
	1,738,250	—	5,663	87,312	**1,831,225**	1,981,916

(1) The fees relating to the services of Lord Hodgson were paid to Johnson Brothers & Co Limited, and the fees relating to the services of Rosalind Cuschieri were paid to Warburtons Limited.

(2) Appointed 31 March 2008.

(3) Non-cash benefits principally include private health cover.

(4) Other cash benefits represent cash allowances paid in lieu of a company car.

Share options (audited information)

		At 30 September 2007	Granted	Exercised	Cancelled[2]	**At 4 October 2008**	Option price	Market price on exercise (p)	Notional gain[3]
Ralph Findlay									
SAYE options	21 June 2005	7,868			7,868	**—**	210.00		
SAYE options	30 June 2008		9,462			**9,462**	172.00		
Derek Andrew									
SAYE options	21 June 2005	8,508			8,508	**—**	210.00		
SAYE options	30 June 2008		10,145			**10,145**	172.00		
Alistair Darby									
SAYE options	25 June 2003	2,464		2,464		**—**	129.25	183.75	1,342.88
SAYE options	21 June 2005	3,144				**3,144**	210.00		
SAYE options	29 June 2007	1,021				**1,021**	370.00		
Paul Inglett									
SAYE options	21 June 2005	1,804				**1,804**	210.00		
SAYE options	29 June 2006	1,472			1,472	**–**	254.00		
SAYE options	29 June 2007	510			510	**—**	370.00		
SAYE options	30 June 2008		5,465			**5,465**	172.00		
Stephen Oliver									
Executive options	10 January 2003	24,000		24,000[1]		**—**	151.00	444.00	70,320.00
SAYE options	26 June 2002	12,976				**12,976**	138.50		

(1) The 2006/2007 accounts incorrectly omitted this exercise which occurred on 5 February 2007.

(2) Ralph Findlay and Derek Andrew cancelled their SAYE options granted under the 2005 invitation and Paul Inglett cancelled his SAYE options under the 2006 and 2007 invitations.

(3) The Directors retained some of the shares on exercise, but had all of the shares been sold this is the gain that would have been made.

DIRECTORS' REMUNERATION REPORT CONTINUED

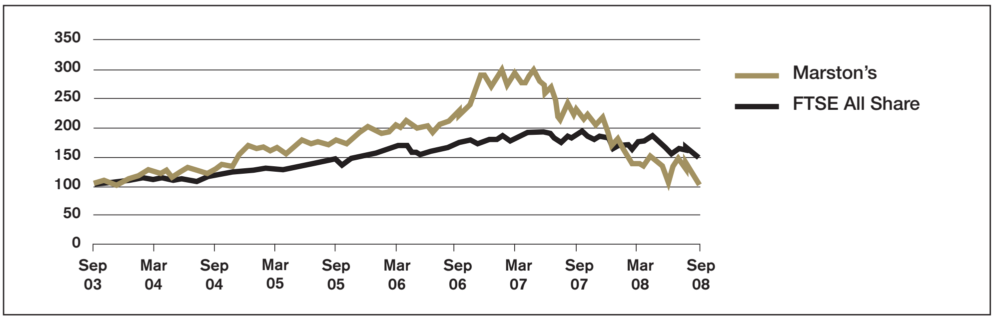
Long Term Incentive Plan (LTIP) (audited information)

	Date of grant	At 30.09.07	Granted	Vested	Lapsed	**At 04.10.08**	Market price on grant p	Market price on exercise p	Value of vested award £	Exercise period from[2]
Ralph Findlay										
	26.05.05	129,148		78,780	50,368	**—**	275	217.75	171,543.45[1]	26.05.08
	26.06.06	117,128				**117,128**				26.06.09
	04.06.07	83,817				**83,817**				04.06.10
	02.06.08		195,599			**195,599**				02.06.11
Derek Andrew										
	26.05.05	79,332		48,392	30,940	**—**	275	217.75	105,373.58[1]	26.05.08
	26.06.06	71,264				**71,264**				26.06.09
	04.06.07	50,268				**50,268**				04.06.10
	02.06.08		117,308			**117,308**				02.06.11
Alistair Darby										
	26.05.05	75,644		46,142	29,502	**—**	275	217.75	100,474.21[1]	26.05.08
	26.06.06	66,932				**66,932**				26.06.09
	04.06.07	47,211				**47,211**				04.06.10
	02.06.08		110,173			**110,173**				02.06.11
Paul Inglett										
	26.05.05	75,644		46,142	29,502	**—**	275	217.75	100,474.21[1]	26.05.08
	26.06.06	68,524				**68,524**				26.06.09
	04.06.07	50,159				**50,159**				04.06.10
	02.06.08		117,052			**117,052**				02.06.11
Stephen Oliver										
	26.05.05	75,644		46,142	29,502	**—**	275	217.75	100,474.21[1]	26.05.08
	26.06.06	68,524				**68,524**	.			26.06.09
	04.06.07	50,159				**50,159**				04.06.10
	02.06.08		117,052			**117,052**				02.06.11

[1] This is the gain that would have been made had all of the vested shares been sold.
[2] Provided the required shareholding and the three-year performance conditions are met, options granted under the LTIP will not expire until the end of the next calendar year following the option holder's expected retirement date, or earlier at the discretion of the Remuneration Committee.

The mid-market ordinary share price range during the year was 133.00p to 370.25p with an average price of 243.61p.
The mid-market ordinary share price on 3 October 2008 was 133.00p (4 October 2008 being a Saturday).

Total shareholder return graph



The graph shows the comparative Total Shareholder Return (TSR) performance of the Company against the FTSE All Share Index during the previous five financial years. The FTSE All Share Index has been selected as a comparator because the Group believes it is the most meaningful market index of which the Company is a member. The Group believes it would have been less meaningful to use a narrower index such as the Leisure and Hotels index for comparison purposes. The TSR indices used in the chart have been calculated in accordance with the Directors' Remuneration Report Regulations 2002 relative to a base date at the end of September 2003.

Directors' pensions (audited information)

The following Directors accrued benefit under the defined benefit pension scheme provided by the Company.
Pension entitlements and transfer values increased as follows:

	Accrued pension at 4 October 2008 £	Change in accrued pension over 2007/2008 excluding increase for inflation £	Members' contributions over year £	Transfer Value at 4 October 2008 £	Transfer Value at 29 September 2007 £	Change in Transfer Value over 2007/2008 net of members' contributions £	Transfer Value of the increase in the accrued pension £
Derek Andrew	137,036	11,244	—	1,836,840	1,326,086	510,754	235,738
Alistair Darby	53,889	7,935	1,530	543,981	350,393	192,058	95,618
Ralph Findlay	55,662	11,237	2,717	678,536	423,891	251,928	154,433
Paul Inglett	41,057	5,385	1,626	390,291	251,627	137,038	64,787
Stephen Oliver	55,626	7,787	1,626	833,189	539,974	291,589	134,618
David Thompson	145,100	667	825	1,921,118	1,520,780	399,513	102,918

Notes

1 The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year from the approved pension scheme.
2 The increase in accrued pension during the year excludes any increase for inflation.
3 Members of the pension scheme have the option to pay Additional Voluntary Contributions. Neither the contributions nor the resulting benefits are included in the table above.
4 The Transfer Values at 4 October 2008 are calculated in accordance with the cash equivalent transfer value basis adopted by the Trustees on 1 October 2008, after taking advice from the Scheme Actuary.
5 Member contributions are lower than in previous years as the Company introduced a salary sacrifice arrangement from 1 November 2007.

The following additional information relates to Directors' pensions:
(a) Normal retirement age is 60.
(b) On death before retirement a lump sum is payable equal to the Director's contributions. However, some or all of this lump sum may be used to provide a statutory minimum spouse's pension. On death after retirement the spouse's pension payable is two-thirds of the member's pre commutation pension for Derek Andrew and David Thompson, 60% of the member's pre-commutation pension for Ralph Findlay, Paul Inglett, Alistair Darby and Stephen Oliver's post-1 January 2002 service and 50% of the member's pre-commutation pension for Stephen Oliver's pre-1 January 2002 service.
(c) Early retirement can be taken from age 50 provided the Group gives its consent. The accrued pension will then be reduced to take account of its early payment. From April 2010, the minimum age at which early retirement can take place will increase to 55.
(d) Pension increases for Derek Andrew, Ralph Findlay, David Thompson, Paul Inglett and Alistair Darby will be in line with statutory requirements before and after retirement. Stephen Oliver will receive statutory increases before retirement, post-retirement increases on pension earned prior to 6 April 1997 at the rate of 3% per annum, on pension earned between 6 April 1997 and 1 January 2002 at the increase in RPI, subject to a maximum of 5% and a minimum of 3%, and on pension earned after 1 January 2002 at the increase in RPI subject to a maximum of 5%. The Trustees have the discretion to grant pension increases above these rates.
(e) There are no discretionary benefits.

Prior to 6 April 2006, Ralph Findlay, Stephen Oliver and Paul Inglett were contributing to a FURBS arrangement. A new pensions regime came into force on 6 April 2006. Following a review of benefit provisions, contributions to the FURBS for Ralph Findlay, Stephen Oliver and Paul Inglett ceased with effect from 6 April 2006. From that date, pension benefits for these Directors and Alistair Darby are accrued on full salary (previously limited to the earnings cap) from the Marston's PLC Pension and Life Assurance Scheme ("the Marston's Scheme").

DIRECTORS' REMUNERATION REPORT CONTINUED

Pension arrangements

At the start of the year the Group operated one final salary (defined benefit) pension scheme, the Marston's Scheme, and seven defined contribution pension arrangements.

The Marston's Scheme has been closed to new entrants since 29 September 1997. The Group contributed 25% of the pensionable payroll for those members who opted for the salary sacrifice arrangement introduced on 1 November 2007. For all other members the Group contributed 17.5% of the pensionable payroll. Members contributed in accordance with the Rules. All employees in the Marston's Scheme have permanent health insurance and death-in-service life assurance cover to the value of four times their salary, subject to acceptance by insurers.

The funds of the Marston's Scheme are administered by Trustees and are separate from the Group. An actuarial valuation of the Marston's Scheme was carried out as at 30 September 2005. This resulted in a long-term Group contribution rate of 17.5% of members' pensionable earnings (before the salary sacrifice arrangement was formed) plus an annual contribution of £7.2 million. Following the merger of the Eldridge Pope Scheme the Group paid in a one-off lump sum of £11.2 million in October 2007 and have increased their annual contribution to £10 million a year with effect from the end of the current year. This is in addition to the contribution rate of 17.5% mentioned above.

The assumptions that have the most significant effect on the funding position of the Marston's Scheme are those relating to the differences between the long-term rate of return on investments and the rates of increase in earnings and pension increases. The 30 September 2005 funding valuation for the Marston's Scheme assumed that: the long-term investment return before retirement would exceed salary increases by 2.3% per annum and price inflation by 3.0% per annum, and the long-term investment return after retirement would exceed pension increases by 2.0% per annum and price inflation by 2.0% per annum.

The market value of the Marston's Scheme assets was £199.8 million, which was sufficient to cover 77% of members' accrued benefits at 30 September 2005, after allowing for future increases in earnings at the long-term rate.

The amounts quoted above do not include the assets and liabilities of the Eldridge Pope Pension Scheme, the Burtonwood Scheme or the Jennings Scheme which merged into the Marston's Scheme after the 30 September 2005 funding valuation. These amounts are recognised in the valuation adopted in the accounts under IFRS as at 4 October 2008. They will be recognised in the next full actuarial valuation of the Marston's Scheme which has an effective date of 30 September 2008.

The Group introduced a Group Personal Pension Plan (GPPP) for new entrants with effect from 29 September 1997 to which it contributes 7.0% of pensionable salary and members contribute a minimum of 3.5% of their pensionable salary.

Membership of the GPPP provides permanent health insurance and death-in-service life assurance cover to the value of between three and four times pensionable salary, subject to acceptance by insurers.

Compliance with the Directors' Remuneration Report Regulations

The Directors' Remuneration Report has been prepared by the Remuneration Committee and approved by the Board. It has been written in line with the Directors' Remuneration Report Regulations incorporated in Schedule 7A to the Companies Act 1985 and the Combined Code on Corporate Governance and shareholders will be invited to approve it at the forthcoming AGM.

Robin Hodgson

Lord Hodgson
Chairman, Remuneration Committee
5 December 2008

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent Company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In preparing the Group financial statements, the Directors have also elected to comply with IFRS, issued by the International Accounting Standards Board (IASB). The Group and parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRSs as adopted by the European Union and IFRS issued by the IASB, and with regard to the parent Company financial statements that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation and the parent Company financial statements and the Directors' Remuneration Report comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the persons who are Directors at the date that this Annual Report is approved confirm that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors of Marston's PLC are listed on pages 24 and 25.

Ralph Findlay
Chief Executive

Paul Inglett
Finance Director

FIVE YEAR RECORD

	2004 UK GAAP £m	2005 IFRS £m	2006 IFRS £m	2007 IFRS £m	**2008 IFRS £m**
Revenue	513.7	556.1	595.5	652.8	**666.1**
Profit before goodwill and exceptional items	77.7	89.7	101.5	98.0	**85.1**
Exceptional items	(0.5)	(35.5)	—	(3.3)	**(8.9)**
Goodwill amortisation	(7.0)	—	—	—	**—**
Profit before taxation	70.2	54.2	101.5	94.7	**76.2**
Taxation*	(21.8)	(15.1)	(28.2)	(12.4)	**(14.4)**
Profit after taxation	48.4	39.1	73.3	82.3	**61.8**
Capital employed	648.3	640.2	653.2	748.5	**706.9**
Earnings per ordinary share†	16.7p	13.0p	23.8p	27.9p	**22.7p**
Goodwill and exceptional items†	2.2p	7.8p	—	(1.7)p	**2.9p**
Earnings per ordinary share before goodwill and exceptional items†	18.9p	20.8p	23.8p	26.2p	**25.6p**
Dividend per ordinary share†	8.8p	9.7p	10.7p	12.8p	**13.3p**
Retail price index	100.0	102.7	106.4	110.6	**116.1**
Earnings per share growth	100.0	77.8	142.5	167.1	**135.9**
Earnings per share growth before goodwill and exceptional items	100.0	110.1	125.9	138.6	**135.4**
Dividend growth	100.0	110.2	121.6	145.5	**151.1**

* Taxation includes an exceptional charge of £1.4 million in 2008 relating to the phasing out of industrial buildings allowances and an exceptional credit of £7.2 million in 2007 relating to the change in tax rate and abolition of balancing charges.

† Adjusted to reflect the 4-for-1 share split on 9 January 2007.

Earnings per share growth is distorted by the transition from UK GAAP to IFRS but has been presented for completeness.

INDEPENDENT AUDITORS' REPORT

We have audited the Group financial statements of Marston's PLC for the period ended 4 October 2008 which comprise the Group income statement, the Group balance sheet, the Group cash flow statement, the Group statement of recognised income and expense and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of Marston's PLC for the period ended 4 October 2008 and on the information in the Directors' remuneration report that is described as having been audited.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Business review that is cross-referenced from the Business review section of the Directors' Report. We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate governance statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Chairman's statement, the Business review, the Directors' Report, the Corporate Governance Report, the Corporate and Social Responsibility Report, the Five year record, the Financial highlights, 'Group at a Glance', 'Getting the Measure of Marston's', 'Our Markets', and the non-auditable part of the Directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- The Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 4 October 2008 and of its profit and cash flows for the period then ended;
- The Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- The information given in the Directors' Report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
5 December 2008

GROUP INCOME STATEMENT

FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

		2008			2007		
	Note	**Before exceptional items £m**	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	2	**666.1**	**—**	**666.1**	652.8	—	652.8
Operating expenses	3, 4	**(504.5)**	**(4.7)**	**(509.2)**	(489.6)	(2.5)	(492.1)
Operating profit	2	**161.6**	**(4.7)**	**156.9**	163.2	(2.5)	160.7
Finance costs	4, 6	**(80.6)**	**—**	**(80.6)**	(68.0)	(0.8)	(68.8)
Finance income	6	**4.1**	**—**	**4.1**	2.8	—	2.8
Movement in fair value of interest rate swaps	4, 6	**—**	**(4.2)**	**(4.2)**	—	—	—
Net finance costs	6	**(76.5)**	**(4.2)**	**(80.7)**	(65.2)	(0.8)	(66.0)
Profit before taxation		**85.1**	**(8.9)**	**76.2**	98.0	(3.3)	94.7
Taxation	4, 7	**(15.6)**	**1.2**	**(14.4)**	(20.6)	8.2	(12.4)
Profit for the period attributable to equity shareholders	28	**69.5**	**(7.7)**	**61.8**	77.4	4.9	82.3

All results relate to continuing operations.

Earnings per share:							
Basic earnings per share	9			**22.7p**			27.9p
Basic earnings per share before exceptional items	9			**25.6p**			26.2p
Diluted earnings per share	9			**22.5p**			27.6p
Diluted earnings per share before exceptional items	9			**25.3p**			26.0p

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

	Note	**2008 £m**	2007 £m
Profit for the period		**61.8**	82.3
(Expense)/income recognised directly in equity			
Cash flow hedges	28	**(38.3)**	15.6
Actuarial (losses)/gains on retirement benefits	28	**(16.8)**	27.4
Unrealised surplus on revaluation of properties	28	**—**	186.6
Reversal of past revaluation surplus	28	**(4.3)**	(21.7)
Tax on items taken directly to equity	7, 28	**20.8**	(42.4)
Net (losses)/gains not recognised in the income statement		**(38.6)**	165.5
Total recognised income for the period		**23.2**	247.8

GROUP CASH FLOW STATEMENT

FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

	Note	**2008** £m	2007 £m
Operating activities			
Operating profit		**156.9**	160.7
Depreciation and amortisation		**43.0**	42.7
EBITDA		**199.9**	203.4
Working capital and non-cash movements (including outflows on integration of acquisitions)	29	**(0.2)**	(30.1)
Difference between defined benefit pension contributions paid and amounts charged		**(16.4)**	(7.7)
Income tax paid		**(10.9)**	(9.6)
Net cash inflow from operating activities		**172.4**	156.0
Investing activities			
Interest received		**2.3**	1.9
Sale of property, plant and equipment and assets held for sale		**21.5**	102.0
Investment in plant and equipment for existing business		**(83.8)**	(100.3)
Purchase of new pubs/site developments		**(33.4)**	(46.0)
Movement in other non-current assets		**0.1**	(1.7)
Acquisition of subsidiaries, net of cash acquired		**(9.0)**	(113.9)
Repayment of debt of subsidiaries upon acquisition		**—**	(57.9)
Movement in available-for-sale investments		**—**	31.8
Net cash outflow from investing activities		**(102.3)**	(184.1)
Financing activities			
Equity dividends paid	8	**(35.8)**	(34.1)
Proceeds of ordinary share capital issued		**0.4**	1.1
Purchase of treasury shares		**—**	(115.5)
Purchase of own shares for Long Term Incentive Plan		**—**	(0.6)
Purchase of own shares for cancellation		**(29.2)**	(5.3)
Interest paid		**(78.6)**	(57.7)
Arrangement costs of new bank facilities and issue costs paid on securitised debt		**(7.9)**	(1.1)
Proceeds from issue of securitised debt		**330.0**	—
Repayment of securitised debt		**(15.9)**	(11.4)
Advance of loans		**—**	443.6
Repayment of bank loans		**(212.3)**	(155.0)
Settlement of debentures		**—**	(18.9)
Repayment of loan notes and loan stock		**(1.5)**	(2.2)
Capital element of finance leases repaid		**(0.1)**	(0.1)
Net cash (outflow)/inflow from financing activities		**(50.9)**	42.8
Net increase in cash and cash equivalents	30	**19.2**	14.7

Reconciliation of net cash flow to movement in net debt

	Note	**2008** £m	2007 £m
Increase in cash and cash equivalents in the period	30	**19.2**	14.7
Decrease in available-for-sale investments		**—**	(31.8)
Cash inflow from increase in debt		**(100.2)**	(256.0)
Change in debt resulting from cash flows	30	**(81.0)**	(273.1)
Net debt acquired with subsidiaries	30	**(3.1)**	(22.1)
Non-cash movements and deferred issue costs	30	**5.1**	(0.2)
Movement in net debt in the period		**(79.0)**	(295.4)
Net debt at beginning of the period	30	**(1,189.1)**	(893.7)
Net debt at end of the period	30	**(1,268.1)**	(1,189.1)

GROUP BALANCE SHEET

AS AT 4 OCTOBER 2008

	Note	2008 £m	2007 £m
ASSETS			
Non-current assets			
Goodwill	10	**223.9**	217.8
Other intangible assets	11	**23.7**	9.7
Property, plant and equipment	12	**1,975.9**	1,934.3
Deferred tax assets	22	**47.7**	40.4
Other non-current assets	13	**24.7**	24.8
		2,295.9	2,227.0
Current assets			
Inventories	14	**19.0**	16.7
Assets held for sale	15	**15.9**	7.2
Trade and other receivables	16	**75.0**	69.4
Derivative financial instruments	18	**—**	2.4
Cash and cash equivalents	30	**60.1**	42.4
		170.0	138.1
LIABILITIES			
Current liabilities			
Borrowings	17	**(29.2)**	(97.9)
Derivative financial instruments	18	**(4.2)**	—
Trade and other payables	21	**(133.5)**	(119.3)
Current tax liabilities		**(21.5)**	(21.5)
		(188.4)	(238.7)
Non-current liabilities			
Borrowings	17	**(1,299.0)**	(1,133.6)
Derivative financial instruments	18	**(37.6)**	(1.6)
Pension commitments	25	**(37.9)**	(38.6)
Deferred tax liabilities	22	**(189.5)**	(195.2)
Other non-current liabilities	23	**(0.6)**	(0.4)
Provisions for other liabilities and charges	24	**(6.0)**	(8.5)
		(1,570.6)	(1,377.9)
Net assets		**706.9**	748.5
Shareholders' equity			
Equity share capital	27	**22.3**	23.0
Share premium account	28	**188.9**	188.5
Merger reserve	28	**41.5**	41.5
Revaluation reserve	28	**436.1**	438.4
Capital redemption reserve	28	**6.8**	6.1
Hedging reserve	28	**(27.1)**	0.5
Own shares	28	**(134.5)**	(135.3)
Foreign exchange reserve	28	**0.2**	—
Retained earnings	28	**172.7**	185.8
Total equity	28	**706.9**	748.5

The financial statements on pages 44 to 79 were approved by the Board on 5 December 2008 and signed on its behalf by:

Ralph Findlay
Chief Executive
5 December 2008

NOTES

FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

1 ACCOUNTING POLICIES

Basis of preparation

These financial statements for the 53 weeks ended 4 October 2008 (2007: 52 weeks ended 29 September 2007) have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally land and buildings, derivative financial instruments and share-based payments.

The Group has adopted IFRS 7 'Financial Instruments: Disclosures' and the complementary amendment to IAS 1 'Presentation of financial statements — Capital disclosures' for the 53 weeks ended 4 October 2008, introducing new disclosures, including comparative information, relating to financial instruments. There is no impact on the current or prior period results and the classification and valuation of the Group's financial instruments are unaffected.

The Group does not consider that any standards or interpretations issued by the International Accounting Standards Board (IASB), but not yet applicable, will have a significant impact on the financial statements in the future.

Basis of consolidation

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

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

The consolidated financial statements also incorporate the results of Marston's Issuer PLC, a company set up with the sole purpose of issuing debt secured on assets owned by the Group. The Directors of Marston's PLC consider this company meets the definition of a special purpose entity under SIC 12 'Consolidation — special purpose entities' and hence for the purpose of the consolidated financial statements it has been treated as a subsidiary undertaking. Details of this company are provided in note 34.

Revenue and other operating income

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

Segmental reporting

For primary segment reporting purposes the Group is considered to have four distinguishable business segments, being Marston's Inns and Taverns, Marston's Pub Company, Marston's Beer Company and Marston's Group Services. This mirrors the Group's internal organisation and management structure, and reflects the different risk profiles to which the business is exposed. An element of Marston's Group Services costs is allocated to each of the trading divisions.

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

Exceptional items

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

Intangible assets

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

NOTES CONTINUED

FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

1 ACCOUNTING POLICIES (CONTINUED)

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

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

Brands	Indefinite
Lease premiums	Life of the lease
Computer software	5–10 years

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

Goodwill

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

Property, plant and equipment

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

Valuation of properties — Properties are revalued by qualified valuers on a regular basis using open market value so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the income statement. Surpluses on revaluation are recognised in the revaluation reserve, except where they reverse previously charged impairment losses, in which case they are recorded in the income statement.

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

Disposals of property, plant and equipment

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

Impairment

If there are indications of impairment or reversal of impairment, an assessment is made of the recoverable amount. An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets, including goodwill. If there is an indication that any previously recognised impairment losses may no longer exist or may have decreased, a reversal of the loss may be made if there has been a change in the estimates used to determine the recoverable amounts since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. The reversal is recognised in the income statement. The depreciation charge is adjusted in future periods to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life. There is no reversal of impairment losses relating to goodwill.

Leases

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

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

1 ACCOUNTING POLICIES (CONTINUED)

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

Other non-current assets

Other non-current assets represent trade loans. In common with other major brewers the Group makes trade loans to publicans who purchase the Group's beer. These trade loans are classified as available-for-sale financial assets and are recognised initially at cost. Subsequently trade loans are measured at fair value, being amounts advanced less deemed impairment. Significant trade loans are secured against the property of the loan recipient.

Inventories

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

Assets held for sale

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

Financial assets: available-for-sale investments

Cash invested in short-term investment funds for which there are no withdrawal penalties and the maturity dates are in excess of 90 days are treated as financial assets, rather than a cash equivalent, as required by IAS 7 'Cash flow statements'.

Cash and cash equivalents

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

Financial instruments

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of the Group's financial instruments at initial recognition.

(a) Financial instruments at fair value through profit or loss

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables and cash and cash equivalents in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Non-derivative financial liabilities are classified as other financial liabilities.

Gains or losses arising from changes in the fair value of financial instruments at fair value through profit or loss are presented in the income statement within exceptional finance costs or income in the period in which they arise.

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

Borrowings

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

NOTES CONTINUED

FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

1 ACCOUNTING POLICIES (CONTINUED)

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

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

Derivative financial instruments

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

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

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

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

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

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

Trade receivables

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

Trade payables

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

Employee benefits

Pension costs for the Group's defined benefit pension scheme are determined by the Projected Unit Credit Method, with actuarial calculations being carried out at each period end date. Costs are recognised separately as operating and finance costs in the income statement. Operating costs comprise the current service cost, any income or expenses on settlements or curtailments, and past service costs where the benefits have vested. Finance items comprise the interest on scheme liabilities and the expected return on scheme assets.

Actuarial gains or losses comprising differences between the actual and expected return on scheme assets, changes in scheme liabilities due to experience and changes in actuarial assumptions are recognised in full in the period in which they occur in the statement of recognised income and expense.

The liability recognised in the balance sheet for the defined benefit pension scheme is the present value of scheme liabilities less the fair value of scheme assets. Pension costs for the Group's defined contribution pension schemes are charged to the income statement in the period in which they arise.

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

1 ACCOUNTING POLICIES (CONTINUED)

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

Current and deferred tax

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

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

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

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

Provisions

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

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as provisions.

Share-based payments

The fair value of share-based remuneration at the date of grant is calculated using the Black–Scholes option-pricing model and charged to the income statement on a straight-line basis over the vesting period of the award. The charge to the income statement takes account of the estimated number of shares that will vest. The Group has taken advantage of the transitional provisions contained within IFRS 2 'Share-based payments' and has only applied this accounting policy to equity-settled awards granted after 7 November 2002. Awards granted prior to 7 November 2002 are not charged to the income statement.

Own shares

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

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

Dividends

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

Transactions and balance sheet items in a foreign currency

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

Key assumptions and significant judgements

IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Details of the Group's key assumptions and significant judgements are set out in each relevant accounting policy and detailed note to the financial statements.

NOTES CONTINUED

FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

2 SEGMENTAL REPORTING

Primary reporting format — business segments

For primary segment reporting purposes the Group is considered to have four distinguishable business segments, being Marston's Inns and Taverns, Marston's Pub Company, Marston's Beer Company and Marston's Group Services.

Period ended 4 October 2008

	Marston's Inns and Taverns £m	Marston's Pub Company £m	Marston's Beer Company £m	Marston's Group Services £m	Group £m
Income statement					
Revenue	388.3	186.4	125.7	—	700.4
Less: sales to other segments	—	—	(34.3)	—	(34.3)
	388.3	186.4	91.4	—	666.1
Operating expenses before exceptional items	(321.1)	(96.4)	(75.3)	(11.7)	(504.5)
Operating profit before exceptional items	67.2	90.0	16.1	(11.7)	161.6
Exceptional items	(0.7)	(0.7)	(1.9)	(1.4)	(4.7)
Operating profit	66.5	89.3	14.2	(13.1)	156.9
Finance costs					(80.6)
Finance income					4.1
Movement in fair value of interest rate swaps					(4.2)
Profit before taxation					76.2
Taxation					(14.4)
Profit for the period attributable to equity shareholders					**61.8**
Balance sheet					
Segment assets	1,017.2	1,104.2	197.2	39.5	2,358.1
Unallocated assets					
Deferred tax assets					47.7
Group cash and cash equivalents					60.1
Total assets					**2,465.9**
Segment liabilities	(42.5)	(13.7)	(56.6)	(27.3)	(140.1)
Unallocated liabilities					
Group borrowings					(1,328.2)
Current tax liabilities					(21.5)
Pension commitments					(37.9)
Deferred tax liabilities					(189.5)
Derivative financial instruments					(41.8)
Total liabilities					**(1,759.0)**
Other segmental information					
Capital expenditure					
Intangible fixed assets	0.4	0.1	—	0.3	0.8
Property, plant and equipment	62.8	37.4	11.0	3.9	115.1
Depreciation of property, plant and equipment	23.1	9.5	8.2	1.8	42.6
Amortisation of intangible fixed assets	0.2	—	—	0.2	0.4

2 SEGMENTAL REPORTING (CONTINUED)

Period ended 29 September 2007

	Marston's Inns and Taverns £m	Marston's Pub Company £m	Marston's Beer Company £m	Marston's Group Services £m	Group £m
Income statement					
Revenue	367.8	200.9	121.8	—	690.5
Less: sales to other segments	—	—	(37.7)	—	(37.7)
	367.8	200.9	84.1	—	652.8
Operating expenses before exceptional items	(301.1)	(110.1)	(66.7)	(11.7)	(489.6)
Operating profit before exceptional items	66.7	90.8	17.4	(11.7)	163.2
Exceptional items	(0.6)	(0.4)	(0.5)	(1.0)	(2.5)
Operating profit	66.1	90.4	16.9	(12.7)	160.7
Finance costs					(68.8)
Finance income					2.8
Profit before taxation					94.7
Taxation					(12.4)
Profit for the period attributable to equity shareholders					**82.3**
Balance sheet					
Segment assets	983.1	1,090.2	162.4	44.2	2,279.9
Unallocated assets					
Deferred tax assets					40.4
Derivative financial instruments					2.4
Group cash and cash equivalents					42.4
Total assets					**2,365.1**
Segment liabilities	(40.1)	(16.2)	(41.8)	(30.1)	(128.2)
Unallocated liabilities					
Group borrowings					(1,231.5)
Current tax liabilities					(21.5)
Pension commitments					(38.6)
Deferred tax liabilities					(195.2)
Derivative financial instruments					(1.6)
Total liabilities					**(1,616.6)**
Other segmental information					
Capital expenditure					
Intangible fixed assets	0.2	—	—	0.8	1.0
Property, plant and equipment	64.1	65.8	13.5	2.3	145.7
Depreciation of property, plant and equipment	21.7	9.8	7.9	2.6	42.0
Amortisation of intangible fixed assets	0.4	—	—	0.3	0.7

Secondary reporting format — geographical segments

Revenue generated outside the United Kingdom during the period was £1.0 million (2007: £0.4 million). Geographical reporting is therefore not considered appropriate.

NOTES CONTINUED

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3 OPERATING EXPENSES

	2008 £m	2007 £m
Change in stocks of finished goods and work in progress	**(1.9)**	(3.8)
Own work capitalised	**(0.9)**	(0.7)
Other operating income	**(6.9)**	(5.0)
Raw materials, consumables and excise duties	**213.2**	211.7
Depreciation of property, plant and equipment	**42.6**	42.0
Amortisation of intangible fixed assets	**0.4**	0.7
Employee costs	**151.0**	142.5
Hire of plant and machinery	**1.3**	1.2
Other operating lease rentals	**10.9**	10.0
Income from other non-current assets	**(0.5)**	(0.5)
Impairment of properties	**0.6**	2.8
Other net operating charges	**99.4**	91.2
	509.2	492.1

Exceptional costs of £1.2 million (2007: £0.2 million) are included in other net operating charges and £3.5 million (2007: £2.3 million) within employee costs.

Fees paid to PricewaterhouseCoopers LLP:	2008 £m	2007 £m
Statutory audit fees — consolidated Group financial statements	**0.2**	0.2
Statutory audit fees — other entity financial statements	**0.1**	0.1
Corporate finance services	**—**	0.8
Tax advisory services	**0.6**	0.2
Due diligence and refinancing fees	**—**	1.0
	0.9	2.3

Due diligence and refinancing fees of £nil (2007: £1.0 million) have been treated as deferred issue costs.

4 EXCEPTIONAL ITEMS

	2008 £m	2007 £m
Operating items		
Reorganisation and redundancy costs	**3.9**	—
Write-off of aborted project fees in respect of potential REIT conversion	**0.8**	—
Costs of reorganisation of newly acquired subsidiaries	**—**	2.5
	4.7	2.5
Non-operating items		
Movement in fair value of interest rate swaps	**4.2**	—
Write-off of unamortised finance costs following arrangement of new bank facilities	**—**	0.8
	4.2	0.8
	8.9	3.3

A reorganisation and redundancy programme was undertaken during the period.

Following the Pre-Budget Report on 24 November 2008 it is considered appropriate to write off all fees incurred to date in respect of a potential conversion of the Group to Real Estate Investment Trust (REIT) status.

The interest rate swaps are revalued to fair value at each balance sheet date and the movement is recognised in the income statement unless hedge accounting is applied. The movement of £4.2 million (2007: £nil) in the fair value of interest rate swaps, where hedge accounting has not been applied, is shown as an exceptional item.

The funding of the acquisition of Eldridge Pope (note 33) during the prior period necessitated a renegotiation of the Group's borrowing facilities. As a consequence, unamortised finance costs were written off.

The current tax credit relating to the above exceptional items amounts to £1.4 million (2007: £1.0 million). The deferred tax credit relating to the above exceptional items amounts to £1.2 million (2007: £nil). In addition, £1.4 million has been charged as an exceptional item in the current period in relation to the phasing out of industrial buildings allowances. In the prior period, £7.2 million was credited as an exceptional item in relation to the change in tax rate and abolition of balancing charges.

5 EMPLOYEES

Staff costs	2008 £m	2007 £m
Wages and salaries	**136.4**	128.1
Social security costs	**10.0**	9.5
Pension costs	**4.5**	3.5
Share-based payment costs	**0.1**	1.4
	151.0	142.5

Staff costs include £3.5 million (2007: £2.3 million) which were classified as exceptional items.

Key management personnel

Directors' emoluments are set out in the Directors' Remuneration Report on pages 33 to 40. The total Directors' remuneration for the period was £2.3 million (2007: £2.9 million), including employer's national insurance and share-based payments.

Average number of employees	2008 No.	2007 No.
Full-time	**6,052**	5,782
Part-time	**7,112**	7,088

6 FINANCE COSTS AND INCOME

Finance costs	2008 £m	2007 £m
Bank interest payable	**17.1**	20.4
Securitised debt interest payable	**59.2**	41.9
Other interest payable	**1.5**	1.7
Amortisation of issue costs on securitised debt	**2.5**	1.0
Amortisation of issue costs on bank loan	**0.3**	0.3
Net finance cost in respect of retirement benefits	**—**	2.7
	80.6	68.0
Exceptional finance costs		
Movement in fair value of interest rate swaps	**4.2**	—
Write-off of unamortised finance costs following the arrangement of new bank facilities	**—**	0.8
	4.2	0.8
Total finance costs	**84.8**	68.8
Finance income		
Deposit and other interest receivable	**(2.9)**	(2.8)
Net finance income in respect of retirement benefits	**(1.2)**	—
Total finance income	**(4.1)**	(2.8)
Net finance costs	**80.7**	66.0

The movement in fair value of derivative financial instruments relates to the mark to market value of interest rate swaps taken out during the period. Over the lives of the instruments the Group's cumulative fair value gain/loss on these financial derivatives will be £nil as it is the Group's intention to hold them to maturity. These financial instruments are categorised as fair value through profit or loss (note 20).

NOTES CONTINUED

FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

7 TAXATION

Income statement	2008 £m	2007 £m
Current tax		
Current period	**20.1**	21.9
Credit in respect of tax on exceptional items	**(1.4)**	(1.0)
Adjustment in respect of prior periods	**(3.0)**	—
	15.7	20.9
Deferred tax		
Current period	**(2.4)**	(0.7)
Adjustment in respect of prior periods	**0.9**	(0.6)
Exceptional credit in respect of the change in tax rate and abolition of balancing charges	**—**	(7.2)
Exceptional charge in respect of the phasing out of industrial buildings allowances	**1.4**	—
Exceptional credit in respect of the movement in fair value of interest rate swaps	**(1.2)**	—
	(1.3)	(8.5)
Taxation charge reported in the income statement	**14.4**	12.4

Statement of recognised income and expense	2008 £m	2007 £m
(Losses)/gains on actuarial valuation of pension liability	**(4.7)**	8.3
(Impairment)/revaluation of properties	**(5.4)**	35.2
(Losses)/gains on cash flow hedges	**(10.7)**	4.7
Credit in respect of the change in tax rate	**—**	(5.8)
Taxation (credit)/charge reported in the statement of recognised income and expense	**(20.8)**	42.4

The actual tax rate for the period is lower (2007: lower) than the standard rate of corporation tax of 29% (2007: 30%). The differences are explained below:

Tax reconciliation	2008 £m	2007 £m
Profit before tax	**76.2**	94.7
Profit before tax multiplied by the corporation tax rate of 29% (2007: 30%)	**22.1**	28.4
Effects of:		
Adjustments to tax in respect of prior periods	**(2.4)**	(0.6)
Net deferred tax credit in respect of land and buildings	**(7.2)**	(8.5)
Costs not deductible for tax purposes	**0.5**	0.3
Impact of change in tax rate and abolition of balancing charges	**—**	(7.2)
Impact of phasing out of industrial buildings allowances	**1.4**	—
Current year taxation charge	**14.4**	12.4

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 29% and will be taxed at 28% in the future.

8 ORDINARY DIVIDENDS ON EQUITY SHARES

	2008 £m	2007 £m
Paid in the period		
Final dividend for 2007 of 8.47p per share (2006: 7.06p)	**22.8**	21.5
Interim dividend for 2008 of 4.80p per share (2007: 4.36p)	**13.0**	12.6
	35.8	34.1

A final dividend for 2008 of 8.47p per share amounting to £22.9 million has been proposed for approval at the annual general meeting, but has not been reflected in the financial statements.

This dividend will be paid on 30 January 2009 to those shareholders on the register at close of business on 19 December 2008.

9 EARNINGS PER ORDINARY SHARE

Basic earnings per share is 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 items. The Directors consider that the supplementary figures are a useful indicator of performance.

	Earnings £m	**2008 Weighted average number of shares m**	**Per share amount p**	Earnings £m	2007 Weighted average number of shares m	Per share amount p
Basic earnings per share	**61.8**	**271.9**	**22.7**	82.3	295.2	27.9
Effect of dilutive options	**—**	**2.5**	**—**	—	2.5	—
Diluted earnings per share	**61.8**	**274.4**	**22.5**	82.3	297.7	27.6
Underlying earnings per share figures						
Basic earnings per share	**61.8**	**271.9**	**22.7**	82.3	295.2	27.9
Effect of exceptional items	**7.7**		**2.9**	(4.9)		(1.7)
Basic earnings per share before exceptional items	**69.5**	**271.9**	**25.6**	77.4	295.2	26.2
Diluted earnings per share	**61.8**	**274.4**	**22.5**	82.3	297.7	27.6
Effect of exceptional items	**7.7**		**2.8**	(4.9)		(1.6)
Diluted earnings per share before exceptional items	**69.5**	**274.4**	**25.3**	77.4	297.7	26.0

10 GOODWILL

	£m
Cost	
At 30 September 2007	218.9
Additions	6.1
At 4 October 2008	**225.0**
Aggregate impairment	
At 30 September 2007	1.1
Impairment for the period	—
At 4 October 2008	**1.1**
Net book amount at 29 September 2007	217.8
Net book amount at 4 October 2008	**223.9**

Additions relate to goodwill arising on the acquisitions of Refresh (note 32), Eldridge Pope (note 33), Ringwood Brewery (note 33) and the free trade business of Hall & Woodhouse (note 33).

	£m
Cost	
At 1 October 2006	149.4
Additions	69.5
At 29 September 2007	**218.9**
Aggregate impairment	
At 1 October 2006	1.1
Impairment for the period	—
At 29 September 2007	**1.1**
Net book amount at 30 September 2006	148.3
Net book amount at 29 September 2007	**217.8**

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FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

10 GOODWILL (CONTINUED)

Impairment testing of goodwill

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

The carrying amount of goodwill has been allocated £115.2 million (2007: £115.7 million) to Marston's Inns and Taverns, £85.4 million (2007: £85.4 million) to Marston's Pub Company and £23.3 million (2007: £16.7 million) to Marston's Beer Company. Goodwill has been allocated to business segments based on the extent to which the benefits of acquisitions flow to that segment.

The key assumptions used are the pre-tax discount rate applied to the cash flow projections of 9.0% (2007: 9.0%) and the growth rate used to extrapolate the projected cash flows beyond the one year budgets of 2.0% (2007: 2.0%) in line with an expected long-term inflation rate which is below the long-term average growth rate for the industry. The same pre-tax discount rate has been used for each segment as, in the view of the Directors, the risk profiles are similar.

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

Following the above impairment tests, no impairment of goodwill was required in the current or prior period.

11 OTHER INTANGIBLE ASSETS

	Brands £m	Lease premiums £m	Computer software £m	Total £m
Cost				
At 30 September 2007	5.7	2.0	3.2	10.9
Additions	—	—	0.8	0.8
Acquisitions	13.6	—	—	13.6
At 4 October 2008	**19.3**	**2.0**	**4.0**	**25.3**
Amortisation				
At 30 September 2007	—	0.1	1.1	1.2
Charged during the period	—	0.1	0.3	0.4
At 4 October 2008	**—**	**0.2**	**1.4**	**1.6**
Net book amount at 29 September 2007	5.7	1.9	2.1	9.7
Net book amount at 4 October 2008	**19.3**	**1.8**	**2.6**	**23.7**

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

The carrying values of brands are subject to annual impairment reviews. No impairment was identified during the current or prior period as a result of these reviews.

The Refresh brand was acquired during the period (note 32).

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

11 OTHER INTANGIBLE ASSETS (CONTINUED)

	Brands £m	Lease premiums £m	Computer software £m	Total £m
Cost				
At 1 October 2006	2.8	0.9	2.3	6.0
Additions	—	—	1.0	1.0
Acquisitions	2.9	1.1	—	4.0
Disposals	—	—	(0.1)	(0.1)
At 29 September 2007	**5.7**	**2.0**	**3.2**	**10.9**
Amortisation				
At 1 October 2006	—	—	0.5	0.5
Charged during the period	—	0.1	0.6	0.7
At 29 September 2007	**—**	**0.1**	**1.1**	**1.2**
Net book amount at 30 September 2006	2.8	0.9	1.8	5.5
Net book amount at 29 September 2007	**5.7**	**1.9**	**2.1**	**9.7**

Impairment testing of brands

The key assumptions used in the impairment testing of brands were a discount rate of 9.0% (2007: 9.0%) and a long-term growth rate used to extrapolate cash flows beyond the cash flow projection period of one year of 2.0% (2007: 2.0%). These assumptions are based on historic trends adjusted for management estimates of future prospects, and take account of economic forecasts, marketing plans, political factors and estimates of competitors' strategy.

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 30 September 2007	1,726.2	29.1	330.9	2,086.2
Additions	67.6	6.0	41.5	115.1
Acquisitions	—	1.5	—	1.5
Net transfers to assets held for sale and disposals	(19.3)	(1.6)	(26.6)	(47.5)
Impairment	(4.9)	—	—	(4.9)
At 4 October 2008	**1,769.6**	**35.0**	**345.8**	**2,150.4**
Depreciation				
At 30 September 2007	9.3	10.9	131.7	151.9
Charge for the period	3.5	3.7	35.4	42.6
Net transfers to assets held for sale and disposals	0.2	(1.6)	(18.6)	(20.0)
At 4 October 2008	**13.0**	**13.0**	**148.5**	**174.5**
Net book amount at 29 September 2007	1,716.9	18.2	199.2	1,934.3
Net book amount at 4 October 2008	**1,756.6**	**22.0**	**197.3**	**1,975.9**

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FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 1 October 2006	1,392.7	25.4	300.9	1,719.0
Additions	95.9	3.9	45.9	145.7
Acquisitions	144.1	0.4	20.3	164.8
Net transfers to assets held for sale and disposals	(67.8)	(0.6)	(36.2)	(104.6)
Impairment/revaluation	161.3	—	—	161.3
At 29 September 2007	**1,726.2**	**29.1**	**330.9**	**2,086.2**
Depreciation				
At 1 October 2006	7.4	8.1	119.5	135.0
Charge for the period	3.1	3.4	35.5	42.0
Net transfers to assets held for sale and disposals	(0.4)	(0.6)	(23.3)	(24.3)
Revaluation	(0.8)	—	—	(0.8)
At 29 September 2007	**9.3**	**10.9**	**131.7**	**151.9**
Net book amount at 30 September 2006	1,385.3	17.3	181.4	1,584.0
Net book amount at 29 September 2007	**1,716.9**	**18.2**	**199.2**	**1,934.3**

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

	2008 £m	2007 £m
Freehold properties	**1,639.5**	1,608.1
Leasehold properties over 50 years unexpired	**76.7**	70.3
Leasehold properties under 50 years unexpired	**40.4**	38.5
	1,756.6	1,716.9

Cost or valuation of land and buildings comprises:

	2008 £m	2007 £m
Valuation	**1,675.4**	1,667.9
At cost	**94.2**	58.3
	1,769.6	1,726.2

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Various properties were reviewed for impairment during the period, identifying a total impairment of £4.9 million (2007: £27.2 million) which has been taken either to the income statement or, where the impairment reverses a previous upwards valuation, to the revaluation reserve.

During the prior period, independent chartered surveyors Christie + Co revalued 1,903 properties on an open market value basis. These valuations were incorporated into the financial statements and the resulting revaluation adjustments were taken to the revaluation reserve. These revaluations resulted in a total revaluation surplus of £189.3 million, including reversal of past impairments of £2.7 million.

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

	2008 **£m**	2007 £m
Income statement:		
Impairment	**(0.6)**	(5.5)
Reversal of past impairments	**—**	2.7
	(0.6)	(2.8)
Revaluation reserve:		
Unrealised revaluation surplus	**—**	186.6
Reversal of past revaluation surplus	**(4.3)**	(21.7)
	(4.3)	164.9
Net (decrease)/increase in shareholders' equity/property, plant and equipment	**(4.9)**	162.1

If the freehold and leasehold properties had not been revalued, the historical net book amount would be £1,233.8 million (2007: £1,176.7 million).

Cost at 4 October 2008 includes £6.6 million (2007: £12.5 million) of assets in the course of construction.

Interest costs of £0.4 million (2007: £nil) were capitalised in respect of the financing of major projects.

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £9.1 million (2007: £15.0 million).

13 OTHER NON-CURRENT ASSETS

	Trade loans **£m**
At 30 September 2007	24.8
Additions	6.6
Disposals, repayments and impairments	(6.7)
At 4 October 2008	**24.7**

	Trade loans **£m**
At 1 October 2006	23.1
Additions	8.8
Disposals, repayments and impairments	(7.1)
At 29 September 2007	**24.8**

Other non-current assets are presented net of impairments of £1.6 million (2007: £0.4 million).

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14 INVENTORIES

	2008 £m	2007 £m
Raw materials and consumables	**4.7**	4.6
Work in progress	**0.5**	0.2
Finished goods	**13.8**	11.9
	19.0	16.7

15 ASSETS HELD FOR SALE

	2008 £m	2007 £m
Properties	**15.9**	7.2

16 TRADE AND OTHER RECEIVABLES

	2008 £m	2007 £m
Trade receivables	**39.0**	32.1
Prepayments and accrued income	**15.9**	18.4
Other receivables	**20.1**	18.9
	75.0	69.4

Trade receivables are shown net of a provision of £5.5 million (2007: £4.7 million).

The ageing analysis of trade receivables is as follows:

	2008 £m	2007 £m
Neither past due nor impaired	**28.0**	23.6
Less than 30 days	**2.9**	5.0
31 to 60 days	**2.7**	1.8
Greater than 60 days	**5.4**	1.7
	39.0	32.1

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

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

At 4 October 2008 the value of collateral held in the form of cash deposits was £9.9 million (2007: £9.7 million).

17 BORROWINGS

Current	2008 £m	2007 £m
Unsecured bank borrowings	**5.4**	77.4
Securitised debt (note 19)	**15.6**	11.2
Unsecured loan notes	**8.1**	9.2
Finance leases	**0.1**	0.1
	29.2	97.9

Non-current	2008 £m	2007 £m
Unsecured bank borrowings	**233.7**	372.5
Securitised debt (note 19)	**1,065.2**	760.9
Finance leases	**—**	0.1
Preference shares	**0.1**	0.1
	1,299.0	1,133.6

All of the Group's borrowings are denominated in pounds sterling. There were no instances of default, including covenant terms, in either the current or prior period.

Maturity of borrowings

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

	2008			2007		
Due:	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m
Within one year	**32.1**	**(2.9)**	**29.2**	99.1	(1.2)	97.9
In more than one year but less than two years	**253.2**	**(2.7)**	**250.5**	12.7	(1.2)	11.5
In more than two years but less than five years	**71.2**	**(5.6)**	**65.6**	415.3	(2.9)	412.4
In more than five years	**988.9**	**(6.0)**	**982.9**	716.4	(6.7)	709.7
	1,345.4	**(17.2)**	**1,328.2**	1,243.5	(12.0)	1,231.5

Fair value of borrowings

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

	Carrying amount 2008 £m	Carrying amount 2007 £m	Fair value 2008 £m	Fair value 2007 £m
Unsecured bank borrowings	**239.5**	450.6	**241.7**	450.3
Securitised debt	**1,097.6**	783.4	**844.5**	747.6
Unsecured loan notes	**8.1**	9.2	**8.1**	9.2
Finance leases	**0.1**	0.2	**0.1**	0.2
Preference shares	**0.1**	0.1	**0.1**	0.1
	1,345.4	1,243.5	**1,094.5**	1,207.4

Interest rates

Interest rates in respect of the Group's securitised debt are shown in note 19. Interest rates applicable to the Group's other borrowings are as follows:

	2008	2007
Unsecured bank borrowings	**Variable***	Variable*
Unsecured loan notes	**Variable***	Variable*
Preference shares	**6.00%**	6.00%

* Variable interest rates on unsecured bank borrowings and loan notes are all linked to LIBOR.

Preference shares

The Group has 0.1 million (2007: 0.1 million) preference shares of £1 each in issue at the balance sheet date. The preference shares carry the right to a fixed cumulative preferential dividend at the rate of 6% per annum (they are also entitled to a non-cumulative dividend of 1% per annum provided that dividends of not less than £24,000 have been paid on the ordinary shares in that year). They participate in the event of a winding-up and on a return of capital and carry the right to attend and vote at general meetings of the Company, carrying four votes per share.

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18 DERIVATIVE FINANCIAL INSTRUMENTS

Interest rate swaps	2008 £m	2007 £m
Current assets	**—**	2.4
Current liabilities	**(4.2)**	—
Non-current liabilities	**(37.6)**	(1.6)
	(41.8)	0.8

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

19 SECURITISED DEBT

On 9 August 2005, £805.0 million of secured loan notes were issued in connection with the securitisation of 1,592 of the Group's pubs held in Marston's Pubs Limited. On 22 November 2007, a further £330.0 million of secured loan notes (tranches A4 and AB1) were issued in connection with the securitisation of an additional 437 of the Group's pubs, also held in Marston's Pubs Limited. The loan notes are secured over the properties and their future income streams and were issued by Marston's Issuer PLC, a special purpose entity (note 34).

During the period ended 4 October 2008, 28 (2007: 182) of the securitised pubs were sold to third parties, and 437 (2007: 72) pubs were acquired from other members of the Marston's Group. The carrying amount of the securitised pubs at 4 October 2008 was £1,393.4 million (2007: £1,125.7 million).

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

The securitised debt at 4 October 2008 consists of six tranches with the following principal terms:

Tranche	2008 £m	2007 £m	Interest	Principal repayment period — by instalments	Expected average life	Expected maturity date
A1	**202.4**	214.4	Floating	2008 to 2020	4 years	2012
A2	**214.0**	214.0	Fixed/floating	2020 to 2027	11 years	2019
A3	**200.0**	200.0	Fixed/floating	2027 to 2032	19 years	2027
A4	**246.2**	—	Floating	2008 to 2031	4 years	2012
AB1	**80.0**	—	Floating	2031 to 2035	4 years	2012
B	**155.0**	155.0	Fixed/floating	2032 to 2035	11 years	2019
	1,097.6	783.4				

Interest on the Class A1 notes is payable at three month LIBOR plus a margin of 0.55%, stepping up to three month LIBOR plus 1.375% from July 2012.
Interest on the Class A2 notes is payable at a rate of 5.1576% until July 2019 and thereafter at three month LIBOR plus a margin of 1.32%.
Interest on the Class A3 notes is payable at a rate of 5.1774% until April 2027 and thereafter at three month LIBOR plus a margin of 1.45%.
Interest on the Class A4 notes is payable at three month LIBOR plus a margin of 0.65%.
Interest on the Class AB1 notes is payable at three month LIBOR plus a margin of 1.25%.
Interest on the Class B notes is payable at a rate of 5.6410% until July 2019 and thereafter at three month LIBOR plus a margin of 2.55%.

All floating rate notes are hedged in full by the Group using interest rate swaps whereby all interest payments are swapped to fixed interest payable. A new swap was entered into on 22 November 2007 in order to hedge the A4 and AB1 notes.

At 4 October 2008 Marston's Pubs Limited held cash of £51.4 million (2007: £26.8 million) which was governed by certain restrictions under the covenants associated with the securitisation.

19 SECURITISED DEBT (CONTINUED)

The carrying value of the secured loan notes in the Group balance sheet at 4 October 2008 is analysed as follows:

	£m
Gross proceeds received on 9 August 2005	805.0
Gross proceeds received on 22 November 2007	330.0
	1,135.0
Deferred issue costs	(21.4)
	1,113.6
Capital repayments	(37.4)
Amortisation of deferred issue costs	4.6
Carrying value at 4 October 2008	**1,080.8**

20 FINANCIAL INSTRUMENTS

Financial instruments by category

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

At 4 October 2008	Loans and receivables £m	Available-for-sale financial assets £m	Total £m
Assets as per the balance sheet			
Trade receivables (before provision)	44.5	—	44.5
Trade loans (before provision)	—	26.3	26.3
Cash and cash equivalents	60.1	—	60.1
	104.6	**26.3**	**130.9**

At 4 October 2008	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
Liabilities as per the balance sheet				
Derivative financial instruments	37.6	4.2	—	41.8
Borrowings	—	—	1,328.2	1,328.2
Trade payables	—	—	51.0	51.0
	37.6	**4.2**	**1,379.2**	**1,421.0**

At 29 September 2007	Loans and receivables £m	Derivatives used for hedging £m	Available-for-sale financial assets £m	Total £m
Assets as per the balance sheet				
Trade receivables (before provision)	36.8	—	—	36.8
Derivative financial instruments	—	2.4	—	2.4
Trade loans (before provision)	—	—	25.2	25.2
Cash and cash equivalents	42.4	—	—	42.4
	79.2	**2.4**	**25.2**	**106.8**

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20 FINANCIAL INSTRUMENTS (CONTINUED)

At 29 September 2007	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Liabilities as per the balance sheet			
Derivative financial instruments	1.6	—	1.6
Borrowings	—	1,231.5	1,231.5
Trade payables	—	47.1	47.1
	1.6	**1,278.6**	**1,280.2**

Financial instruments at fair value through profit or loss were designated as such on initial recognition.

The fair value of financial instruments that are not traded in an active market, such as over-the-counter derivatives, is determined using valuation techniques. 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 financial instruments are equal to their book values, with the exception of borrowings (note 17). The carrying value less impairment provision of trade receivables and trade loans, and the carrying value of trade payables, are assumed to approximate their fair values.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk, counterparty risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

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

Interest rate risk:

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

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

At 4 October 2008, if interest rates had been 1.0% higher/lower with all other variables held constant, post-tax profit for the period would have been £0.9 million (2007: £2.9 million) lower/higher as a result of higher/lower interest expense on floating rate borrowings.

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

The Group uses interest rate swaps to fix the interest rate payable on the floating rate tranches of its securitised debt (note 19). These derivative financial instruments have qualified for cash flow hedge accounting and, as a result, changes in fair value are recognised in equity for the effective portion of the hedge. The losses taken directly to equity in the period totalled £38.3 million (2007: gains of £15.6 million).

20 FINANCIAL INSTRUMENTS (CONTINUED)

The notional principal amounts of these interest rate swap contracts at 4 October 2008 totalled £528.6 million (2007: £214.4 million). The interest rate swaps fix interest at 4.9% and 5.5% (2007: 4.9%).

On 1 October 2007 the Group entered into two further interest rate swaps of £70.0 million each to fix the interest rate payable on the Group's unsecured bank borrowings. These derivative financial instruments have not qualified for cash flow hedge accounting and, as a result, changes in fair value are recorded in the income statement. The losses taken to the income statement in the period totalled £4.2 million (2007: £nil) (note 4).

The notional principal amounts of these interest rate swap contracts at 4 October 2008 totalled £140.0 million. The interest rate swaps fix interest at 5.5% and 5.6%.

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

	2008 Floating rate financial liabilities £m	**2008** Fixed rate financial liabilities £m	**2008** Total £m	2007 Floating rate financial liabilities £m	2007 Fixed rate financial liabilities £m	2007 Total £m
Borrowings	**107.7**	**1,237.7**	**1,345.4**	459.8	783.7	1,243.5

The weighted average interest rate of the fixed rate financial borrowings was 5.4% (2007: 5.3%) and the weighted average period for which the rate is fixed was 11 years (2007: 12 years).

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

Market risk:
The Group's market risk is explained in detail in the Corporate Governance Report on pages 28 to 32.

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

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

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

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

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

Liquidity risk:
Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding though an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

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20 FINANCIAL INSTRUMENTS (CONTINUED)

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

At 4 October 2008	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings	32.1	253.2	71.2	988.9	1,345.4
Derivative financial instruments	(6.2)	5.6	2.1	54.1	55.6
Trade payables	51.0	—	—	—	51.0
	76.9	**258.8**	**73.3**	**1,043.0**	**1,452.0**

At 29 September 2007	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings	99.1	12.7	415.3	716.4	1,243.5
Trade payables	47.1	—	—	—	47.1
	146.2	**12.7**	**415.3**	**716.4**	**1,290.6**

Over the life of the Group's derivative financial instruments the cumulative fair value gain/loss on those instruments will be £nil as it is the Group's intention to hold them to maturity.

21 TRADE AND OTHER PAYABLES

	2008 £m	2007 £m
Trade payables	**51.0**	47.1
Other taxes and social security	**20.9**	15.6
Accruals and deferred income	**38.8**	39.2
Deferred consideration (note 32)	**5.6**	—
Other payables	**17.2**	17.4
	133.5	119.3

22 DEFERRED TAX

Net deferred tax liability

Deferred tax is calculated on temporary differences between tax bases of assets and liabilities and their carrying amounts under the liability method using a tax rate of 28% (2007: 28%). The movement on the deferred tax accounts is as shown below:

	2008 £m	2007 £m
At beginning of the period	**154.8**	113.7
Acquisitions	**3.9**	6.4
Credited to the income statement	**(1.3)**	(8.5)
Charged/(credited) to equity		
Actuarial (losses)/gains	**—**	9.2
(Impairment)/revaluation of properties	**(5.4)**	28.5
Share-based payments	**0.5**	0.8
Hedging reserve	**(10.7)**	4.7
At end of the period	**141.8**	154.8

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

Deferred tax liabilities

	Accelerated capital allowances £m	**Revaluation of properties £m**	**Rolled over capital gains £m**	**Hedging reserve £m**	**Other £m**	**Total £m**
At 30 September 2007	32.2	142.2	16.5	0.3	4.0	195.2
Acquisitions	0.3	(0.2)	—	—	3.8	3.9
Charged/(credited) to the income statement	3.3	(6.0)	(0.7)	(0.1)	(0.5)	(4.0)
Credited to equity	—	(5.4)	—	(0.2)	—	(5.6)
At 4 October 2008	**35.8**	**130.6**	**15.8**	**—**	**7.3**	**189.5**

Deferred tax assets

	Pensions £m	**Tax losses £m**	**Share-based payments £m**	**Hedging reserve £m**	**Other £m**	**Total £m**
At 30 September 2007	(12.9)	(26.2)	(1.1)	—	(0.2)	(40.4)
Charged/(credited) to the income statement	2.3	1.1	0.5	—	(1.2)	2.7
Charged/(credited) to equity	—	—	0.5	(10.5)	—	(10.0)
At 4 October 2008	**(10.6)**	**(25.1)**	**(0.1)**	**(10.5)**	**(1.4)**	**(47.7)**
Net deferred tax liability						
At 29 September 2007						154.8
At 4 October 2008						**141.8**

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

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23 OTHER NON-CURRENT LIABILITIES

	2008 £m	2007 £m
Accruals and deferred income	**0.3**	—
Other liabilities	**0.3**	0.4
	0.6	0.4

24 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Property leases £m
At 30 September 2007	8.5
Acquisitions	0.2
Disposals	(2.1)
Credited to the income statement	(0.6)
At 4 October 2008	**6.0**

	Property leases £m
At 1 October 2006	2.0
Acquisitions	7.7
Disposals	(1.0)
Credited to the income statement	(0.2)
At 29 September 2007	**8.5**

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as liabilities in provisions. Payments are expected to continue on these properties for periods of 3 to 38 years.

25 PENSION COMMITMENTS

During the period the Group contributed to a funded defined benefit (final salary) pension scheme and seven defined contribution pension schemes (Group personal pension plans). On 7 September 2007 the Eldridge Pope final salary scheme was merged with the Marston's PLC Pension and Life Assurance Scheme following the Group's acquisition of Eldridge Pope (note 33).

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

	2008 £m	2007 £m
Defined contribution schemes	**1.2**	0.8

25 PENSION COMMITMENTS (CONTINUED)

Defined benefit scheme

An updated actuarial valuation of the Marston's PLC Pension and Life Assurance Scheme was performed by Mercer as at 4 October 2008 for the purposes of IAS 19. The principal assumptions made by the actuaries were:

	2008	2007
Discount rate	**6.6%**	5.8%
Rate of increase in pensionable salaries	**4.1%**	3.8%
Rate of increase in pensions — 5% LPI	**3.4%**	3.1%
Rate of increase in pensions — 2.5% LPI	**2.3%**	2.3%
Inflation assumption	**3.4%**	3.1%
Expected return on scheme assets	**7.1%**	6.8%
Life expectancy for active and deferred members from age 65		
Male	**22.2 years**	22.2 years
Female	**25.0 years**	25.0 years
Life expectancy for current pensioners from age 65		
Male	**20.5 years**	20.5 years
Female	**23.4 years**	23.4 years

The expected return on scheme assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation. Mortality assumptions are based on standard tables adjusted for scheme experience and with an allowance for future improvement in life expectancy.

Movement in scheme assets and pension obligations during the period:

	Scheme assets		**Pension obligations**		**Net deficit**	
	2008 £m	2007 £m	**2008 £m**	2007 £m	**2008 £m**	2007 £m
At beginning of the period	**301.5**	245.1	**(340.1)**	(298.2)	**(38.6)**	(53.1)
Current service cost	**—**	—	**(3.3)**	(2.7)	**(3.3)**	(2.7)
Interest cost on benefit obligations	**—**	—	**(19.4)**	(17.2)	**(19.4)**	(17.2)
Expected return on scheme assets	**20.6**	14.5	**—**	—	**20.6**	14.5
Employer contributions	**19.7**	10.4	**—**	—	**19.7**	10.4
Employee contributions	**0.3**	1.3	**(0.3)**	(1.3)	**—**	—
Benefits paid	**(13.6)**	(13.6)	**13.6**	13.6	**—**	—
Acquisitions	**—**	34.9	**—**	(52.9)	**—**	(18.0)
Actuarial (losses)/gains	**(54.8)**	8.9	**37.9**	18.6	**(16.9)**	27.5
At end of the period	**273.7**	301.5	**(311.6)**	(340.1)	**(37.9)**	(38.6)

The major categories of scheme assets as a percentage of total plan assets are as follows:

	2008	2007
Equities/Properties	**57.0%**	59.4%
Bonds/Gilts	**37.5%**	33.5%
Cash/Other	**5.5%**	7.1%

The actual return on scheme assets was a loss of £34.1 million (2007: gain of £23.4 million).

Pension costs recognised in the income statement

The amounts recognised in the income statement are as follows:

	2008 £m	2007 £m
Current service cost	**3.3**	2.7
Interest cost	**19.4**	17.2
Expected return on scheme assets	**(20.6)**	(14.5)
Total expense recognised in the income statement	**2.1**	5.4

Of the total charge, £3.3 million (2007: £2.7 million) is included within staff costs (note 5) and £(1.2) million (2007: £2.7 million) is included within finance income and costs (note 6).

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FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

25 PENSION COMMITMENTS (CONTINUED)

Cumulative actuarial gains and losses recognised in equity

	2008 £m	2007 £m
At beginning of the period	**6.5**	(21.0)
Net actuarial (losses)/gains recognised in the period	**(16.9)**	27.5
At end of the period	**(10.4)**	6.5

Post-retirement medical benefits of £0.1 million (2007: £(0.1) million) have been included in the statement of recognised income and expense.

History of experience gains and losses

	2008	2007	2006	2005
Experience adjustments arising on scheme assets:				
Amount	**£(54.8)m**	£8.9m	£(6.6)m	£15.9m
Percentage of fair value of scheme assets	**20.0%**	3.0 %	2.7%	7.3%
Experience adjustments arising on scheme liabilities:				
Amount	**—**	—	£(24.6)m	—
Percentage of present value of scheme liabilities	**—**	—	8.2%	—
Present value of scheme liabilities	**£(311.6)m**	£(340.1)m	£(298.2)m	£(264.9)m
Fair value of scheme assets	**£273.7m**	£301.5m	£245.1m	£219.3m
Deficit	**£(37.9)m**	£(38.6)m	£(53.1)m	£(45.6)m

The contribution expected to be paid during the financial period ending 3 October 2009 amounts to £14.1 million from the employer and £0.2 million from employees.

26 SHARE-BASED PAYMENTS

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

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

(b) Executive Share Option Plan (ESOP). Under this scheme executive share options are awarded at the prevailing market rate on the date of the grant. Options are normally exercisable between three and ten years after grant and upon the achievement of performance criteria in relation to earnings per share, as set out in the Directors' Remuneration Report on page 34.

(c) Long Term Incentive Plan (LTIP). Under this scheme nil cost options are granted that will only vest provided the participant satisfies the minimum shareholding requirement and performance conditions relating to earnings per share, as set out in the Directors' Remuneration Report on pages 34 and 35, are met.

The tables below summarise outstanding options that were issued after 7 November 2002. All comparative figures have been restated to reflect the 4-for-1 share split completed on 9 January 2007.

	Number of shares		**Weighted average exercise price**	
	2008	2007	**2008**	2007
SAYE:	**m**	m	**p**	p
Outstanding at beginning of the period	**2.3**	2.1	**235.8**	195.0
Granted	**1.9**	0.5	**172.0**	370.0
Exercised	**(0.3)**	(0.1)	**140.4**	161.9
Expired	**(0.7)**	(0.2)	**276.5**	220.1
Outstanding at end of the period	**3.2**	2.3	**193.0**	235.8
Exercisable at end of the period	**0.3**	—	**198.1**	—
Range of exercise prices	**129.3p to 370.0p**	99.8p to 370.0p		
Weighted average remaining contractual life (years)	**3.5**	3.1		

26 SHARE-BASED PAYMENTS (CONTINUED)

ESOP:	Number of shares 2008 m	2007 m	Weighted average exercise price 2008 p	2007 p
Outstanding at beginning of the period	**0.1**	0.2	**151.0**	151.0
Exercised	**—**	(0.1)	**151.0**	151.0
Outstanding at end of the period	**0.1**	0.1	**151.0**	151.0
Exercisable at end of the period	**0.1**	0.1	**151.0**	151.0
Exercise price	**151.0p**	151.0p		
Weighted average remaining contractual life (years)	**2.9**	3.8		

LTIP:	Number of shares 2008 m	2007 m	Weighted average exercise price 2008 p	2007 p
Outstanding at beginning of the period	**1.7**	2.0	**—**	—
Granted	**1.0**	0.4	**—**	—
Exercised	**(0.4)**	(0.5)	**—**	—
Expired	**(0.3)**	(0.2)	**—**	—
Outstanding at end of the period	**2.0**	1.7	**—**	—
Exercisable at end of the period	**—**	—		
Exercise price	**—**	—		

LTIP options are exercisable until the retirement date of the holder.

The fair values of the SAYE, ESOP and LTIP rights are calculated at the date of grant using the Black–Scholes option-pricing model. The main assumptions used during the period, for all schemes unless otherwise stated, were:

	2008	2007
Dividend yield %	**5.5**	3.2
Expected volatility %	**24.9 to 29.4**	19.2 to 21.9
Risk-free interest rate %	**5.4 to 5.8**	5.6 to 5.8
Expected life of rights		
SAYE	**3 to 7 years**	3 to 7 years
ESOP	**3 years**	3 years
LTIP	**3 years**	3 years

The expected volatility is based on historical volatility over the expected life of the rights. The performance criteria of the ESOP and LTIP, as set out previously, are built into the pricing model.

The weighted average fair value of options granted during the period in relation to the SAYE was 53.6p (2007: 133.3p). The fair value of options granted during the period in relation to the LTIP was 147.0p (2007: 408.0p).

The weighted average share price for options exercised over the period was 205.1p (2007: 407.7p). The total charge for the period relating to employee share-based payment plans was £0.1 million (2007: £1.4 million), all of which related to equity-settled share-based payment transactions. After tax, the total charge was £0.3 million (2007: £1.1 million).

NOTES CONTINUED

FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

26 SHARE-BASED PAYMENTS (CONTINUED)

The table below summarises outstanding options that were issued prior to 7 November 2002 which have therefore not been charged to the income statement:

	SAYE				ESOP			
	Number of shares		**Weighted average exercise price**		**Number of shares**		**Weighted average exercise price**	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	m	m	**p**	p	**m**	m	**p**	p
Outstanding at beginning of the period	**0.1**	0.8	**124.9**	89.3	**0.2**	0.4	**130.7**	117.8
Exercised	**—**	(0.7)	**102.1**	83.2	**—**	(0.2)	**135.6**	98.3
Expired	**—**	—	**138.5**	103.7	**—**	—	**129.5**	—
Outstanding at end of the period	**0.1**	0.1	**138.5**	124.9	**0.2**	0.2	**140.9**	130.7
Exercisable at end of the period	**—**	—	—	—	**0.2**	0.2	**140.9**	130.7
Weighted average share price at date of exercise			**318.1**	375.1			**205.2**	454.7
Range of exercise prices	**138.5p**	61.8p to 138.5p			**129.0p to 143.4p**	129.0p to 143.4p		
Weighted average remaining contractual life (years)	**1.2**	1.8			**2.8**	3.4		

The LTIP was introduced in January 2004.

27 EQUITY SHARE CAPITAL

	2008		2007	
	Number	**Value**	Number	Value
Authorised	**m**	**£m**	m	£m
Ordinary shares of 7.375p each	**406.8**	**30.0**	406.8	30.0

	2008		2007	
	Number	**Value**	Number	Value
Allotted, called up and fully paid	**m**	**£m**	m	£m
Ordinary shares of 7.375p each:				
At beginning of the period	**311.2**	**23.0**	77.9	23.0
Effect of 4-for-1 share split	**—**	**—**	233.6	—
Allotted under share option schemes	**0.3**	**—**	1.1	0.1
Cancellation of shares	**(8.7)**	**(0.7)**	(1.4)	(0.1)
At end of the period	**302.8**	**22.3**	311.2	23.0

A total of 0.3 million (2007: 1.1 million) ordinary shares was issued during the period ended 4 October 2008 pursuant to the exercise of SAYE share options at exercise prices ranging from 69.3p to 254.0p. The aggregate consideration in respect of these exercises was £0.4 million (2007: £1.1 million).

At 4 October 2008 there were 0.3 million (2007: 0.3 million) executive share options outstanding at prices from 129.0p to 151.0p per share, exercisable between 2008 and 2013 and 3.3 million (2007: 2.4 million) SAYE options outstanding at prices from 129.3p to 370.0p per share exercisable between 2008 and 2016. Details of the Group's LTIP and other executive share option schemes are included in the Directors' Remuneration Report on pages 34 to 35.

A 4-for-1 share split was completed on 9 January 2007. Prior to that date the ordinary shares had a nominal value of 29.5p each.

28 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Equity share capital £m	Share premium account £m	Merger reserve £m	Re-valuation reserve £m	Capital redemp-tion reserve £m	Hedging reserve £m	Own shares £m	Foreign exchange reserve £m	Retained earnings £m	Total £m
At 30 September 2007	23.0	188.5	41.5	438.4	6.1	0.5	(135.3)	—	185.8	748.5
Actuarial losses	—	—	—	—	—	—	—	—	(16.9)	(16.9)
Tax on actuarial losses	—	—	—	—	—	—	—	—	4.7	4.7
Post-retirement medical benefits	—	—	—	—	—	—	—	—	0.1	0.1
Issue of own shares from LTIP share trust	—	—	—	—	—	—	0.8	—	(0.8)	—
Share-based payments	—	—	—	—	—	—	—	—	0.1	0.1
Tax on share-based payments	—	—	—	—	—	—	—	—	(0.5)	(0.5)
Cash flow hedges	—	—	—	—	—	(38.3)	—	—	—	(38.3)
Tax on cash flow hedges	—	—	—	—	—	10.7	—	—	—	10.7
Property impairment	—	—	—	(4.3)	—	—	—	—	—	(4.3)
Deferred tax on properties	—	—	—	5.4	—	—	—	—	—	5.4
Disposal of properties	—	—	—	(3.2)	—	—	—	—	3.2	—
Transfer to retained earnings	—	—	—	(0.2)	—	—	—	—	0.2	—
Foreign exchange	—	—	—	—	—	—	—	0.2	—	0.2
Share option schemes	—	0.4	—	—	—	—	—	—	—	0.4
Cancellation of own shares	(0.7)	—	—	—	0.7	—	—	—	(29.2)	(29.2)
Profit for the period	—	—	—	—	—	—	—	—	61.8	61.8
Dividends paid	—	—	—	—	—	—	—	—	(35.8)	(35.8)
At 4 October 2008	**22.3**	**188.9**	**41.5**	**436.1**	**6.8**	**(27.1)**	**(134.5)**	**0.2**	**172.7**	**706.9**

	Equity share capital £m	Share premium account £m	Merger reserve £m	Re-valuation reserve £m	Capital redemp-tion reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total £m
At 1 October 2006	23.0	187.5	41.5	311.2	6.0	(10.4)	(21.5)	115.9	653.2
Actuarial gains	—	—	—	—	—	—	—	27.5	27.5
Tax on actuarial gains	—	—	—	—	—	—	—	(9.2)	(9.2)
Post-retirement medical benefits	—	—	—	—	—	—	—	(0.1)	(0.1)
Issue of own shares from LTIP share trust	—	—	—	—	—	—	2.3	(2.3)	—
Purchase of treasury shares	—	—	—	—	—	—	(115.5)	—	(115.5)
Purchase of own shares for LTIP	—	—	—	—	—	—	(0.6)	—	(0.6)
Share-based payments	—	—	—	—	—	—	—	1.4	1.4
Tax on share-based payments	—	—	—	—	—	—	—	0.5	0.5
Cash flow hedges	—	—	—	—	—	15.6	—	—	15.6
Tax on cash flow hedges	—	—	—	—	—	(4.7)	—	—	(4.7)
Property revaluation	—	—	—	164.9	—	—	—	—	164.9
Deferred tax on properties	—	—	—	(28.5)	—	—	—	—	(28.5)
Disposal of properties	—	—	—	(8.9)	—	—	—	8.9	—
Transfer to retained earnings	—	—	—	(0.3)	—	—	—	0.3	—
Share option schemes	0.1	1.0	—	—	—	—	—	—	1.1
Cancellation of own shares	(0.1)	—	—	—	0.1	—	—	(5.3)	(5.3)
Profit for the period	—	—	—	—	—	—	—	82.3	82.3
Dividends paid	—	—	—	—	—	—	—	(34.1)	(34.1)
At 29 September 2007	**23.0**	**188.5**	**41.5**	**438.4**	**6.1**	**0.5**	**(135.3)**	**185.8**	**748.5**

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28 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

The merger reserve recognised on the acquisition of Burtonwood reflects the difference between the nominal and fair value of the Company's shares issued as part of the consideration for the acquisition. Merger relief was taken, relieving the Group from the need to transfer this difference to the share premium account. The capital redemption reserve arose on share buy-backs.

Own shares represent the carrying value of investment in own shares held by the Group's ESOP and LTIP and in treasury shares as set out in the table below. ESOP and LTIP shares are held pursuant to the Company's executive share option schemes. The trustee of the ESOP is Banks's Brewery Insurance Limited, a wholly owned subsidiary of Marston's PLC. The trustee of the LTIP is Computershare Trustees (C.I.) Limited.

	2008		2007	
	Number of shares m	**Value £m**	Number of shares m	Value £m
ESOP	**0.1**	**0.1**	0.1	0.1
LTIP	**1.3**	**4.1**	1.7	4.9
Treasury shares	**31.1**	**130.3**	31.1	130.3
	32.5	**134.5**	32.9	135.3

The market value of own shares held is £43.2 million (2007: £111.4 million). Shares held by the LTIP represent 0.4% (2007: 0.5%) of issued share capital. Treasury shares held represent 10.3% (2007: 10.0%) of issued share capital. On 9 October 2008 1.0 million treasury shares were cancelled.

Dividends on own shares have been waived.

Capital management

The Group considers its capital to comprise equity share capital, share premium account, merger reserve, revaluation reserve, capital redemption reserve, hedging reserve, own shares, foreign exchange reserve and retained earnings. In managing its capital the primary objective is to ensure that the Group is able to continue to operate as a going concern and to maximise return to shareholders through a combination of capital growth and distributions. The Group seeks to maintain a ratio of debt to equity that balances risks and returns at an acceptable level and maintains sufficient funds to meet working capital targets, investment requirements and comply with lending covenants. The Board reviews the Group's dividend policy and funding requirements annually.

29 WORKING CAPITAL AND NON-CASH MOVEMENTS

	2008 £m	2007 £m
Income from other non-current assets	**(0.5)**	(0.5)
Increase in inventories	**(0.5)**	(1.4)
Increase in trade and other receivables	**(0.5)**	(11.7)
Increase/(decrease) in trade and other payables	**3.6**	(16.0)
Movements in respect of property, plant and equipment	**(2.4)**	(1.9)
Share-based payments	**0.1**	1.4
Working capital and non-cash movements	**(0.2)**	(30.1)

30 ANALYSIS OF NET DEBT

	2008 £m	Cash flow £m	Non-cash movements and deferred issue costs £m	Acquisitions £m	2007 £m
Cash and cash equivalents					
Cash at bank and in hand	**60.1**	17.7	—	—	42.4
Bank overdraft	**(5.6)**	1.5	—	—	(7.1)
	54.5	19.2	—	—	35.3
Debt due within one year					
Loan notes	**(8.1)**	1.5	—	(0.4)	(9.2)
Bank loans	**0.2**	72.6	(0.1)	(2.0)	(70.3)
Securitised debt	**(15.6)**	15.9	(20.3)	—	(11.2)
Finance leases	**(0.1)**	0.1	(0.1)	—	(0.1)
	(23.6)	90.1	(20.5)	(2.4)	(90.8)
Debt due after one year					
Bank loans	**(233.7)**	139.7	(0.2)	(0.7)	(372.5)
Securitised debt	**(1,065.2)**	(330.0)	25.7	—	(760.9)
Finance leases	**—**	—	0.1	—	(0.1)
Preference shares	**(0.1)**	—	—	—	(0.1)
	(1,299.0)	(190.3)	25.6	(0.7)	(1,133.6)
	(1,268.1)	(81.0)	5.1	(3.1)	(1,189.1)

Included within cash at bank and in hand is an amount of £3.9 million (2007: £3.9 million), which relates to a letter of credit with Royal Sun Alliance and is considered to be restricted cash.

In addition, cash held in connection with the securitised business is governed by certain restrictions under the covenants associated with the securitisation (note 19).

Bank loans due within one year include unamortised issue costs expected to be charged to the income statement within 12 months of the balance sheet date.

31 OPERATING LEASES

The Group as lessee

The Group leases various properties and equipment under non-cancellable operating leases. The leases have various terms, escalation clauses and renewal rights. Future minimum lease rentals payable under non-cancellable operating leases are as follows:

	2008		2007	
Due:	**Land and buildings £m**	**Other £m**	Land and buildings £m	Other £m
Within one year	**12.4**	**0.7**	10.4	0.7
In more than one year but less than five years	**47.1**	**0.7**	40.7	0.5
In more than five years	**214.9**	**—**	207.9	—
	274.4	**1.4**	259.0	1.2

The Group as lessor

The Group leases a proportion of its licensed estate and other non-licensed properties to tenants. The majority of lease agreements have terms of between 3 and 21 years and are classified as operating leases. Future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2008		2007	
Due:	**Land and buildings £m**	**Other £m**	Land and buildings £m	Other £m
Within one year	**36.0**	**—**	35.6	—
In more than one year but less than five years	**112.8**	**—**	122.8	—
In more than five years	**319.8**	**—**	338.7	—
	468.6	**—**	497.1	—

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32 ACQUISITION OF REFRESH

On 2 April 2008, the Group acquired 100% of Ryland Thompson Limited ('Refresh'). The acquisition has been accounted for under acquisition accounting principles and is therefore included in the consolidated balance sheet as at 4 October 2008.

	£m
Book value of net assets acquired	1.7
Fair value adjustments	7.1
Goodwill	4.8
Consideration (including acquisition fees)	**13.6**

The consideration comprises £12.9 million of cash and £0.7 million of loan notes. Under the terms of the acquisition £8.0 million of the consideration had been paid at the period end and the remaining £5.6 million was paid on 6 October 2008. This deferred consideration is included within trade and other payables at 4 October 2008.

In respect of the loan notes, £0.4 million of the notes had been issued at the period end and £0.3 million of the notes were issued on 6 October 2008.

The attributed fair values are provisional. Fair value adjustments were made to the value of the Refresh brand of £13.6 million, the acquired property, plant and equipment of £(0.6) million and deferred tax thereon of £(3.5) million. Goodwill held on the acquired balance sheet of £1.8 million was also eliminated and a further £0.6 million of acquired net liabilities were identified.

The valuation of the acquired brewery was carried out by independent chartered surveyors Atisreal on an open market value basis.

The net cash outflow in respect of the acquisition of Refresh in the period to 4 October 2008 was:

	£m
Acquisition of equity	
Cash	7.6
Net cash held by subsidiary	—
Net cash outflow in respect of the acquisition	7.6

In the period to 2 April 2008 the Group made sales to Refresh of £2.8 million (52 weeks ended 29 September 2007: £3.9 million) and purchases from Refresh of £0.1 million (52 weeks ended 29 September 2007: £nil). The debtor due from Refresh at 29 September 2007 was £2.5 million, which included balances in respect of costs incurred and subsequently recharged to Refresh.

33 OTHER ACQUISITIONS

On 1 February 2008, the Group acquired the free trade business of Hall & Woodhouse for cash consideration of £1.4 million. The fair value of net assets acquired was £0.4 million. The attributed fair values are provisional.

On 12 July 2007, the Group acquired Ringwood Brewery. A reduction to the fair value of net assets acquired of £0.8 million has been identified during the period to 4 October 2008 and recorded as a fair value adjustment. The balance sheet has not been restated as the adjustment is not considered to be significant. All fair value adjustments have now been finalised.

On 25 January 2007, the Group acquired Eldridge Pope. An increase to the fair value of net assets acquired of £0.5 million has been identified during the period to 4 October 2008 and recorded as a fair value adjustment. The balance sheet has not been restated as the adjustment is not considered to be significant. All fair value adjustments have now been finalised.

On 16 January 2007, the Group acquired Sovereign Inns. The provisional fair value adjustments stated in the accounts for the 52 weeks ended 29 September 2007 are now confirmed, with no adjustments made to those previously published.

34 SPECIAL PURPOSE ENTITY — MARSTON'S ISSUER PLC

The summarised financial statements of Marston's Issuer PLC are as follows:

Income statement	2008 £m	2007 £m
Finance costs	**(59.2)**	(41.9)
Finance income	**59.2**	41.9
Profit for the period attributable to equity shareholders	**—**	—

There are no recognised income and expenses other than the profit for the period.

Cash flow statement	2008 £m	2007 £m
Net cash inflow from operating activities	**—**	—
Investing activities		
Interest received	**58.2**	42.1
Advance of loans	**(330.0)**	—
Repayment of loans advanced	**15.9**	11.4
Net cash (outflow)/inflow from investing activities	**(255.9)**	53.5
Financing activities		
Interest paid	**(58.2)**	(42.1)
Proceeds from issue of securitised debt	**330.0**	—
Repayment of securitised debt	**(15.9)**	(11.4)
Net cash inflow/(outflow) from financing activities	**255.9**	(53.5)
Net increase in cash and cash equivalents	**—**	—

Balance sheet	2008 £m	2007 £m
Assets		
Amounts due from Marston's Pubs Limited	**1,097.6**	783.4
Other receivables	**52.3**	12.7
Liabilities		
Securitised debt	**(1,097.6)**	(783.4)
Other payables	**(52.2)**	(12.6)
Total shareholders' equity	**0.1**	0.1

35 PRINCIPAL SUBSIDIARY UNDERTAKINGS

Details of the Group's principal subsidiary undertakings are provided in note 4 to the Company's financial statements.

36 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

On 9 August 2005 the Group entered into a Tax Deed of Covenant, which was amended on 22 November 2007, the primary objective of which was to ensure that the Group did not trigger a total de-grouping liability of £225.5 million, of which £178.5 million related to Capital Gains Tax (CGT) and £47.0 million related to Stamp Duty Land Tax (SDLT). This would arise in the event of Marston's Pubs Limited being sold outside the Group within six years of the relevant asset transfer date (9 August 2005 or 22 November 2007) for CGT purposes and three years of the relevant asset transfer date for SDLT purposes. The Directors consider the likelihood of such a sale to be remote.

The Group has issued a letter of credit in favour of Royal Sun Alliance Insurance totalling £3.9 million to secure reinsurance contracts. The letter of credit is secured on fixed deposit for the same amount.

The Group has also entered into a Deed of Guarantee with the trustees of the Marston's PLC Pension and Life Assurance Scheme ('the Scheme') whereby it guarantees to the Trustees the ongoing obligations of the Group to contribute to the Scheme, and the obligations of the Group to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either a Group company entering liquidation or the Scheme winding up.

INDEPENDENT AUDITORS' REPORT

We have audited the parent Company financial statements of Marston's PLC for the period ended 4 October 2008 which comprise the Company balance sheet and the related notes. These parent Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Group financial statements of Marston's PLC for the period ended 4 October 2008.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the parent Company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the parent Company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and whether the parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent Company financial statements. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited parent Company financial statements. The other information comprises only the Chairman's statement, the Business review, the Directors' Report, the Corporate Governance Report, the Corporate and Social Responsibility Report, 'Group at a glance', 'Getting the measure of Marston's', 'Our Markets' and the non-auditable part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent Company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the parent Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent Company financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- The parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs at 4 October 2008;
- The parent Company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the parent Company financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Birmingham
5 December 2008

COMPANY BALANCE SHEET

AS AT 4 OCTOBER 2008

	Note	2008 £m	2007 £m
Fixed assets			
Tangible assets	3	**267.8**	332.8
Investments	4	**205.1**	205.1
		472.9	537.9
Current assets			
Assets held for sale	5	**3.9**	0.8
Debtors			
Amounts falling due within one year	6	**798.8**	759.4
Amounts falling due after more than one year	6	**409.2**	448.1
Cash at bank and in hand		**37.3**	40.5
		1,249.2	1,248.8
Creditors Amounts falling due within one year	7	**(986.6)**	(1,025.9)
Net current assets		**262.6**	222.9
Total assets less current liabilities		**735.5**	760.8
Creditors Amounts falling due after more than one year	7	**(0.1)**	(0.1)
Provisions for liabilities and charges	8	**(4.6)**	(7.8)
Net assets		**730.8**	752.9
Capital and reserves			
Equity share capital	10	**22.3**	23.0
Share premium account	11	**188.9**	188.5
Revaluation reserve	11	**48.9**	88.5
Capital redemption reserve	11	**6.8**	6.1
Own shares	11	**(134.5)**	(135.3)
Profit and loss account	11	**598.4**	582.1
Total shareholders' funds	12	**730.8**	752.9

The financial statements on pages 81 to 87 were approved by the Board on 5 December 2008 and signed on its behalf by:

Ralph Findlay
Chief Executive
5 December 2008

DIRECTION
PERFORMANCE
GOVERNANCE
FINANCIAL STATEMENTS
COMPANY ACCOUNTS

NOTES

FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

1 ACCOUNTING POLICIES

Basis of preparation

The Company financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain freehold and leasehold properties, and in accordance with the Companies Act 1985 and applicable UK accounting standards.

Cash flow statement and related party disclosures

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 (revised) as it is included within the consolidated Group cash flow statement presented in this annual report. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Marston's PLC Group.

Revenue and other operating income

Revenue represents rents receivable from licensed properties, which is recognised in respect of the period to which it relates. Other operating income comprises mainly rents from unlicensed properties.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date that give rise to an obligation to pay more or less tax in the future. Timing differences are differences between the Company's taxable profits and profits as stated in the financial statements. Deferred tax assets and liabilities are not discounted and assets are only recognised where recoverability is probable.

Fixed assets

- Freehold and leasehold properties are stated at valuation or at cost. Plant, furnishings, equipment and other similar items are stated at cost.
- Depreciation is charged to the profit and loss account on a straight-line basis to provide for the cost of the assets less residual value over their useful lives.
- Freehold and long leasehold buildings are depreciated to residual value over 50 years.
- Short leasehold properties are depreciated over the life of the lease.
- Other plant and equipment is depreciated over periods ranging from 3 to 15 years.
- Own labour and interest costs directly attributable to capital projects are capitalised.
- Land is not depreciated.

Properties are revalued by qualified valuers at least once in each rolling five year period, on an existing use basis. When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the profit and loss account. Surpluses on revaluation are recognised in the revaluation reserve, except where they reverse previously charged impairment losses, in which case they are recorded in the profit and loss account.

Assets held for sale

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

Disposals of fixed assets

Profit/loss on disposal of fixed assets represents net sale proceeds less carrying value of the assets. Any element of the revaluation reserve relating to the fixed assets disposed of is transferred to profit and loss reserve at the date of sale.

Leases

Rental costs under operating leases are charged to the profit and loss account over the term of the lease. The cost of assets held under finance leases is included within tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under those leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account as incurred.

Investments in subsidiaries

Investments in subsidiaries are stated at cost, less any provision for diminution in value.

1 ACCOUNTING POLICIES (CONTINUED)

Provisions

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

Dividends

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

Preference shares

Preference shares are treated as borrowings, and dividends payable on those preference shares are charged as interest in the profit and loss account.

2 AUDITORS' REMUNERATION

The Company's statutory audit fees for the financial statements were £0.1 million (2007: £0.1 million). Non-audit fees paid to the Company's auditors totalled £0.6 million (2007: £2.0 million) as set out in note 3 to the Group financial statements.

3 TANGIBLE FIXED ASSETS

	Land and buildings £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation			
At 30 September 2007	329.4	15.8	345.2
Additions	17.1	3.4	20.5
Transfers to Group undertakings	(75.0)	(1.9)	(76.9)
Net transfers to assets held for sale and disposals	(4.9)	(2.6)	(7.5)
Impairment	(0.1)	—	(0.1)
At 4 October 2008	**266.5**	**14.7**	**281.2**
Depreciation			
At 30 September 2007	8.3	4.1	12.4
Charge for the period	2.6	1.8	4.4
Transfers to Group undertakings	—	(1.3)	(1.3)
Net transfers to assets held for sale and disposals	(0.1)	(2.0)	(2.1)
At 4 October 2008	**10.8**	**2.6**	**13.4**
Net book value at 29 September 2007	321.1	11.7	332.8
Net book value at 4 October 2008	**255.7**	**12.1**	**267.8**

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

	2008 £m	2007 £m
Freehold properties	**203.2**	267.9
Leasehold properties over 50 years unexpired	**25.5**	24.9
Leasehold properties under 50 years unexpired	**27.0**	28.3
	255.7	321.1

Cost or valuation of land and buildings comprises:

	2008 £m	2007 £m
Valuation	**217.7**	294.3
At cost	**48.8**	35.1
	266.5	329.4

NOTES CONTINUED

FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

3 TANGIBLE FIXED ASSETS (CONTINUED)

Cost at 4 October 2008 includes £1.2 million (2007: £5.8 million) of assets in the course of construction.

During the period, various properties were reviewed for impairment prior to their recategorisation as assets held for sale. This review identified an impairment of £0.1 million (2007: £0.4 million) which has been taken either to the profit and loss account or, where the impairment reverses a previous upwards valuation, to the revaluation reserve.

During the prior period, independent chartered surveyors Christie + Co revalued 138 properties on an existing use basis. The remainder of the estate was revalued at 2 October 2004 on an existing use basis for pubs and a depreciated replacement cost basis for breweries.

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

	2008 £m	2007 £m
Profit and loss account:		
Revaluation loss charged as an impairment	**—**	(0.4)
Revaluation reserve:		
Unrealised revaluation surplus	**—**	28.4
Reversal of past revaluation surplus	**(0.1)**	—
Net (decrease)/increase in shareholders' funds/fixed assets	**(0.1)**	28.0

4 FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m
At 4 October 2008 and 29 September 2007	**205.1**

The principal subsidiary undertakings are:

	Country of incorporation	**Nature of business**	**% held**	**Class of share**
Marston's Trading Limited	England	Pub retailer and brewer	100	Ordinary £5 shares
Marston's Property Developments Limited	England	Property developer	100	Ordinary £1 shares
Marston's Pubs Limited	England	Pub retailer	100	Ordinary £1 shares
Marston's Estates Limited	England	Property management	100	Ordinary 25p shares
Marston's Operating Limited	England	Pub retailer and brewer	100	Ordinary £1 shares
Banks's Brewery Insurance Limited	Guernsey	Insurance	100	Ordinary £1 shares

Details of the principal operating subsidiaries by type of business are set out above. All of these are held directly by Marston's PLC with the exception of Marston's Operating Limited which is a wholly owned subsidiary of Marston's Estates Limited and Marston's Pubs Limited which is a wholly owned subsidiary of Marston's Pubs Parent Limited, an intermediate holding company. A complete list of subsidiary undertakings is available at the Group's registered office. All subsidiaries have been included in the consolidated financial statements.

The Group financial statements also include the consolidation of Marston's Issuer PLC, which the Directors of Marston's PLC consider to be a special purpose entity as set out in note 34 to the Group financial statements. The ultimate parent undertaking of Marston's Issuer PLC is Wilmington Trust SP Services (London) Limited, which holds the shares of the company's parent company under a charitable trust. Marston's Issuer PLC was set up with the sole purpose of issuing debt securitised on the assets of Marston's Pubs Limited.

5 ASSETS HELD FOR SALE

	2008 £m	2007 £m
Properties	**3.9**	0.8

6 DEBTORS

Amounts falling due within one year	2008 £m	2007 £m
Other debtors	**0.9**	2.7
Prepayments and accrued income	**—**	3.1
Amounts owed by Group undertakings	**797.9**	753.6
	798.8	759.4
Amounts falling due after more than one year		
12.5% subordinated loan owed by Group undertakings	**409.2**	448.1

7 CREDITORS

Amounts falling due within one year	2008 £m	2007 £m
Bank loans and overdrafts	**0.5**	70.5
Unsecured loan notes	**6.6**	7.3
Amounts owed to Group undertakings	**961.7**	931.9
Corporation tax	**17.3**	15.0
Accruals and deferred income	**0.5**	1.2
	986.6	1,025.9
Amounts falling due after more than one year		
Preference shares	**0.1**	0.1

The preference shares carry a right to a fixed preferential dividend. They participate in the event of a winding-up and carry the right to attend and vote at general meetings of the Company.

Interest is payable on the unsecured loan notes at a variable rate of interest linked to LIBOR.

Amounts owed to Group undertakings are unsecured, repayable on demand and non-interest bearing.

8 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £m	Property leases £m	Total £m
At 30 September 2007	7.2	0.6	7.8
Credited to profit and loss account	(3.0)	(0.2)	(3.2)
At 4 October 2008	**4.2**	**0.4**	**4.6**

Deferred tax

The amount provided in respect of deferred tax is as follows:	2008 £m	2007 £m
Excess of capital allowances over accumulated depreciation	**4.2**	7.2

Deferred tax has been calculated at the tax rates expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

Property leases

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as liabilities in provisions. Payments are expected to continue on these properties for periods of 15 to 27 years.

NOTES CONTINUED

FOR THE 53 WEEKS ENDED 4 OCTOBER 2008

9 OPERATING LEASE COMMITMENTS

At 4 October 2008 the Company was committed to making the following payments during the next year in respect of operating leases:

	2008		2007	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Leases which expire:				
Within one year	**0.1**	**—**	—	—
Later than one year and less than five years	**0.3**	**—**	0.3	—
After five years	**5.0**	**—**	4.0	—
	5.4	**—**	4.3	—

10 SHARE CAPITAL

	2008		2007	
Authorised	**Number m**	**Value £m**	Number m	Value £m
Ordinary shares of 7.375p each	**406.8**	**30.0**	406.8	30.0

	2008		2007	
Allotted, called up and fully paid	**Number m**	**Value £m**	Number m	Value £m
Ordinary shares of 7.375p each:				
At beginning of the period	**311.2**	**23.0**	77.9	23.0
Effect of 4-for-1 share split	**—**	**—**	233.6	—
Allotted under share option schemes	**0.3**	**—**	1.1	0.1
Cancellation of shares	**(8.7)**	**(0.7)**	(1.4)	(0.1)
At end of the period	**302.8**	**22.3**	311.2	23.0

A 4-for-1 share split was completed on 9 January 2007. Prior to that date the ordinary shares had a nominal value of 29.5p each.

Further information on share capital is provided in note 27 to the Group financial statements.

11 RESERVES

	Share premium account £m	**Revaluation reserve £m**	**Capital redemption reserve £m**	**Own shares £m**	**Profit and loss account £m**	**Total £m**
At 30 September 2007	188.5	88.5	6.1	(135.3)	582.1	729.9
Share option schemes	0.4	—	—	—	—	0.4
Issue of own shares from LTIP share trust	—	—	—	0.8	(0.8)	—
Property impairment	—	(0.1)	—	—	—	(0.1)
Disposal of properties	—	(39.4)	—	—	39.4	—
Transfer to profit and loss reserve	—	(0.1)	—	—	0.1	—
Cancellation of own shares	—	—	0.7	—	(29.2)	(28.5)
Profit for the financial period	—	—	—	—	42.6	42.6
Dividends paid	—	—	—	—	(35.8)	(35.8)
At 4 October 2008	**188.9**	**48.9**	**6.8**	**(134.5)**	**598.4**	**708.5**

No profit and loss account is presented for the Company as permitted by section 230 of the Companies Act 1985.

The capital redemption reserve arose on share buy-backs.

Details of own shares are provided in note 28 to the Group financial statements.

The Company's profit and loss account reserve includes £162.2 million (2007: £156.9 million) of unrealised profit from the sale of pubs to its subsidiary.

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £m	2007 £m
Profit for the financial period	**42.6**	59.9
Dividends paid	**(35.8)**	(34.1)
Profit for the period transferred to reserves	**6.8**	25.8
Share option schemes	**0.4**	1.1
Purchase of treasury shares	**—**	(115.5)
Purchase of own shares for LTIP	**—**	(0.6)
Cancellation of own shares	**(29.2)**	(5.3)
Revaluation of properties	**(0.1)**	28.4
Net reduction to shareholders' funds	**(22.1)**	(66.1)
Opening shareholders' funds	**752.9**	819.0
Closing shareholders' funds	**730.8**	752.9

13 CONTINGENT LIABILITIES

The Company has provided guarantees amounting to £nil (2007: £21.2 million) in respect of discounted convertible loan notes issued by one of its subsidiaries to a number of its other subsidiaries.

The Company has provided guarantees amounting to £378.0 million (2007: £20.0 million) in respect of inter-company convertible loan notes issued by two of its subsidiaries to other subsidiaries. The Company has provided guarantees amounting to £20.4 million (2007: £18.5 million) in respect of other loan notes issued by one of its subsidiaries to a number of its other subsidiaries. The Company has provided guarantees amounting to £172.6 million (2007: £nil) in respect of preference shares issued by one of its subsidiaries to a number of its other subsidiaries.

The Company has also entered into a Deed of Guarantee with Marston's Trading Limited ('Trading') and the Trustees of the Marston's PLC Pension and Life Assurance Scheme ('the Scheme') whereby it guarantees to the Trustees the ongoing obligations of Trading to contribute to the Scheme and the obligations of Trading to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either Trading entering liquidation or the Scheme winding up.

14 DISPOSALS

On 22 November 2007, 138 freehold and long leasehold tenanted pubs were sold to Marston's Pubs Limited for £78.2 million, generating a profit on disposal of £5.3 million. Cash, debtors and creditors relating to those pubs were also transferred to Marston's Pubs Limited at their net book value. On the same date, £73.0 million of the existing bank loan was repaid from the funds received.

SHAREHOLDER INFORMATION

Financial Calendar

Current financial period ended	4 October 2008
Annual General Meeting	23 January 2009
Half-year results	22 May 2009
Next financial period ends	3 October 2009
Full-year results	Early December 2009

Dividend payment dates

Preference shares

Final dividend	31 December 2008
Interim dividend	30 June 2009

Ordinary shares

Final dividend	30 January 2009
Interim dividend	30 June 2009

Interest payment dates

Loan stock	15 January 2009 15 April 2009 15 July 2009 15 October 2009
Loan Notes (issued on the acquisition of Burtonwood, Jennings and Celtic Inns and inherited from the acquisition of Eldridge Pope)	30 April 2009 31 October 2009

Websites

You may wish to visit the following websites which contain details of Group activities and investor information:

www.marstons.co.uk
www.marstonspubcompany.co.uk
www.pitcherandpiano.com
www.marstonsinnsandtaverns.co.uk
www.marstonsbeercompany.co.uk

GLOSSARY

Term	Definition
Combined Code	The Combined Code on Corporate Governance sets out standards of good practice in relation to issues such as board composition and development, remuneration, accountability, audit and relations with shareholders
Corporate Governance	The system by which an organisation is directed and controlled
Dividend	The return paid on shares held by a shareholder
Earnings per Share (EPS)	A performance measure that shows earnings attributable to ordinary shareholders divided by weighted average number of ordinary shares in issue during a period
EBITDA	Earnings before interest, tax, depreciation and amortisation
Exceptional items	Items which management consider will distort comparability
FTSE4Good	Index series to measure the performance of companies that meet CSR standards and to facilitate investment in those companies
FURBS	Funded Unapproved Retirement Benefit Schemes
Operating margin	A measure of what proportion of a company's revenue is left over after paying for variable costs of production, such as wages, raw materials, etc.
Turnover	Sales arising from the principal activities of the business described as 'Revenue' in the financial statements
UK GAAP	UK Generally Accepted Accounting Principles


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