30 November 2011

MARSTON'S PLC

PRELIMINARY RESULTS FOR THE PERIOD ENDED 1 OCTOBER 2011

FINANCIAL HIGHLIGHTS

- Group revenue up 4.8% to £682.2 million (2010: £650.7 million)
- Underlying profit before tax of £80.4 million up 9.4% (2010: £73.5 million)
- Marston's Inns and Taverns like-for-like (lfl) sales up 2.9% with underlying operating margins up 0.7% and average profit per pub up 10%
- Marston's Pub Company operating profit up 0.6%, with both traditional estate and Retail Agreements in profit growth
- Marston's Beer Company revenue up 0.4% and operating profit up 0.6% with Group ale volumes up 2%
- Cash return on capital employed up 0.2% to 9.8%
- Strong operating cashflow of £182.4 million reduces leverage; new bank facility of £257.5 million to May 2016
- Earnings per share and final dividend
  - Underlying earnings per share up 12% to 11.2 pence per share
  - Final dividend of 3.7 pence per share, in line with last year

STRATEGY HIGHLIGHTS

- **Managed pub development -** 19 new-build managed pubs completed with performance ahead of target; on track to complete around 25 new-build sites in 2012.
- **The 'F-Plan' -** Food lfl sales up 5% now representing 42% of sales; over 26 million meals sold in managed pubs at an average spend per head of £6.10.
- **Tenanted and leased pub development -** Retail Agreements implemented in 337 pubs with profit uplift in line with targets; on track to roll out to a further 200 pubs in 2012.
- **'Localness' and premium ale strategy -** Premium cask ale volumes up 5%; premium ale brands now representing 62% of our ale portfolio.

CURRENT TRADING – 8 WEEKS TO 26 NOVEMBER

- Managed lfl sales up 3.0% including lfl food sales up 3.0% and lfl wet sales up 3.0%
- Tenanted, leased and franchise profits estimated to be up 2.0%
- Own-brewed volumes are in line with our expectations

Commenting, Ralph Findlay, Chief Executive, said:

"We achieved impressive sales and profit growth in each of our businesses despite the challenging consumer environment. Customers are looking for affordable treats, and our focus on value, service and quality in a traditional pub environment has proved successful. Our new-build pub-restaurants; the introduction of franchise agreements in around 350 pubs; and increased commercial support to our tenanted and free trade customers are all contributing to the achievement of our key objectives.

The successful implementation of our strategy will mean that we will create around 1,000 new jobs in 2012. Pubs make a real contribution to employment, and the government can help by recognising that its policies on taxation, and beer duty in particular, are damaging to pubs, brewers and jobs."

ENQUIRIES:

Marston's PLC
Ralph Findlay, Chief Executive Officer
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NOTES TO EDITORS

- Marston's is a leading independent brewer and pub operator.
- It has an estate of around 2,150 pubs situated nationally, comprising tenanted, franchised and managed pubs.
- It is the UK's leading brewer of premium cask and bottled ales, including Marston's Pedigree and Hobgoblin. The beer portfolio also includes Banks's, Jennings, Wychwood, Ringwood, Brakspear and Mansfield beers.
- Marston's employs over 12,000 people throughout England and Wales.
- 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.

GROUP OVERVIEW

We have a clear strategy to generate sustainable growth, to improve our return on capital, and to reduce leverage ratios. We are pleased to report that we have made good progress on all of these measures.

Revenue was 4.8% up on last year, with improvement in all three trading divisions. Operating margin was 0.3% below last year, predominantly as a result of the increasing number of Retail Agreements. These generate increased profit at a lower operating margin percentage. Margins improved in Marston's Inns and Taverns and were maintained in Marston's Beer Company reflecting our continuing focus on tight cost control.

Underlying operating profit increased by 3.8% to £154.3 million, with underlying profit before tax of £80.4 million up 9.4% (2010: £73.5 million). Underlying earnings per share have grown strongly, up 12.0% to 11.2 pence per share (2010: 10.0 pence per share).

These good results have been achieved despite the well-documented challenging consumer environment, which has seen downward pressure on consumers' discretionary spending and significant inflationary pressures. Our strategy has focused on offering consumers consistent value for money in a quality pub environment. To improve both stability in and returns on our leased estate and to help our licensees remain competitive in today's market, we offer them business-building advice and access to our group buying power.
In 2011 we have continued to make good progress in executing the key operational components of our strategy, offering value for money with high service standards; investment in a quality pub estate; and a wide range of local and premium beers.

New-build development

Our new-build development programme remains the key driver of growth for Marston's Inns and Taverns.
These investments are targeted at the eating-out market and are positioned in areas of high traffic flow such as retail parks and other prominent sites with easy access to population centres. The total cost of each new pub-restaurant, including the site, is in the region of £2.5 million. Over the past 5 years we have opened around 50 new pub-restaurants, achieving an average EBITDA return on capital of 18%. We have maintained an extensive site pipeline but remain very selective about the sites we invest in. From 2012 onwards, we aim to open around 25 new sites each year, financed from cash flow and existing resources, in line with previously stated plans.

The 'F-Plan'

Since 2005 our organic development plans have been underpinned by the 'F-Plan' – a focus on food, families, females and forty/fifty somethings – which recognises the longer-term growth trends in the eating-out market. Over that period, this focus has seen our food sales mix increase from 28% to 42% of turnover in our managed pubs. The number of meals served has nearly doubled to around 26 million meals each year, and in 2011 we achieved double-digit volume growth in children's meals, starters, desserts and coffee. Over the last three years, consumers have increasingly demanded value for money, a trend which we expect to continue for the foreseeable future.

Retail Agreement

In 2011 we gained British Franchise Association accreditation for our innovative Retail Agreement, helping us to attract entrepreneurs from a wider market. It remains our intention to have at least 600 pubs converted to Retail Agreement by the end of 2013, increasing annual profit from these pubs by at least £6 million, compared to the pre-conversion profit, to £14 million. In line with our targets, we have now converted 337 pubs to the new agreement, with post-conversion profits up £1.3 million compared with last year. We are currently planning around 200 conversions for 2012. The average expenditure per conversion is around £50,000 per pub with a minimum target EBITDA return on incremental capital expenditure of 20%.

Traditional tenanted model

In the medium term we will have around 1,000 pubs operating under the traditional tenanted model. We continue to develop the model, offering licensees choice in rent and discount models, including free-of-tie options. In 2012, we plan to invest around £5 million in the estate to help our quality licensees further improve their businesses. Our innovative and flexible approach to the tenanted model was recognised this year with Marston's winning the "Tenanted Pub Company of the Year" award at the 2011 Publican Industry Awards.

'Localness' and premium ale strategy

We aim to grow our ale brands by focusing on offering consumers a broad range of brands with genuine local provenance and meeting the increasing consumer demand for premium cask and bottled ale. We remain market leaders in both of these growth segments of the ale market, and through our outstanding range of ales we are in a strong position to exploit opportunities in the independent free trade, in the off-trade, and with other pub operators.

Customer service

Earlier this year we announced plans to transfer the management of our Retail Agreement sites to Marston's Inns and Taverns, and to combine the commercial operations of Marston's Pub Company and Marston's Beer Company in one trading division: Marston's Beer and Pub Company. These changes took effect on 2 October 2011. Our objective is to promote 'best in class' service to consumers visiting our managed and Retail Agreement pubs; to our tenanted and leased licensees; and to independent customers. For the purpose of financial reporting, we will continue to report separately the performance of our tenanted and leased pubs (including Retail Agreements) and our brewing operations in 2012.

Dividend

The proposed final dividend of 3.70 pence per share is the same as last year and will provide a total dividend for the year of 5.80 pence per share, which is also unchanged. Dividend cover increased to 1.9 times in 2011 (2010: 1.7 times). It remains our policy to build dividend cover to around 2 times earnings in the medium term.

Current trading

We have seen an encouraging start to the new financial year. In managed pubs, like-for-like sales in the eight weeks to 26 November increased by 3.0%, with food sales growth of 3.0%, and wet sales improving by 3.0%. In our tenanted, leased and franchise business, profit trends continue to improve gradually and are estimated to be up 2.0%. Our beer brands are performing in line with our expectations.

BUSINESS REVIEW

MARSTON'S INNS AND TAVERNS

Performance

Total revenue increased by 4.8% to £391.8 million reflecting the continued strong performance of the new-build pub-restaurants and growth in like-for-like sales. Underlying operating profit of £71.0 million was up 9.1% (2010: £65.1 million). The average annual profit per pub increased by 10% from £132,000 to £145,000.

Total like-for-like sales were 2.9% above last year, with like-for-like food sales up by 5.0% and like-for-like wet sales up 1.8%. The improved performance has been driven primarily through increased footfall, rather than through price increases. This good performance demonstrates that despite the challenging economic backdrop there is strong consumer demand for pubs offering great value for money, particularly in food, in a high quality, attractive environment.

We achieved a 0.7% improvement in operating margin through improved drinks margins, tight labour cost control, fixed price purchasing contracts and flexibility in menu management which mitigated the pressures of higher food costs. We expect to mitigate cost increases of around £8 million in 2012 through similar measures. Capital investment included £45 million in new-build pub-restaurants and £23 million in the existing estate including major refurbishments of 38 pubs.

Value and service

Value for money is at the heart of our consumer proposition. This includes a focus not just on value pricing but also on pub standards, the quality of our food and drink offers, and on service.

Our successful approach to value pricing is clear from the fact that average spend per head on food was broadly unchanged at £6.10, encouraging higher footfall and good like-for-like sales growth, despite the 2.5% increase in VAT from January 2011. The move towards full table service has contributed to a 17% growth in the sales of starters and desserts. We are increasing our investment in staff training and development to improve service standards further and we have introduced the Empathica customer feedback system to provide further consumer insight.

In addition to developing our food business through the implementation of the 'F-Plan', we have also made progress in drinks sales, with like-for-like sales growth of 1.8% significantly ahead of the UK on-trade. We have seen improving trends in all drinks categories, notably our own cask ales with premium cask ale growth of 15%. This trend builds on the strong growth achieved last year.

Broad range of pub formats

Our business comprises around 250 Destination food pub-restaurants, 210 Taverns, and around 25 high street bars, including Pitcher & Piano. We achieved like-for-like sales growth in each of these areas.

In Destination food pub-restaurants, our value-for-money formats have proved popular, generating strong like-for-like sales growth. Our 118 "Two for One" pub-restaurants, which offer consistent value for money in a quality pub environment accompanied by full table service, had an outstanding year, achieving like-for-like sales growth of 7.2% including strong growth in both food and drink sales. Food sales account for over 60% of total sales in these pub-restaurants.

Our Taverns business has also performed well. We operate several formats in our traditional community pubs which vary according to location. Like-for-like sales were up 0.8% driven by a strong marketing and promotions programme, including an increased emphasis on traditional pub entertainment throughout the week. This programme is underpinned by everyday value drinks and food offers, with food now accounting for 26% of sales in these pubs (2010: 25%).

Pitcher & Piano performed well in a competitive market, generating like-for-like sales growth of 3.6%. In this market the key to successful performance is ensuring that the bars remain appealing and contemporary, and are constantly refreshed. During the year we have invested in around half of the bars, and introduced new food offers, including our 'sharing platters' menu.

New-build development programme

We completed 19 new-build pub-restaurants in the year. The performance of our new-build programme since 2010 remains strong, with average turnover of £27,000 per week significantly exceeding our original target of £20,000 per week. Food sales in these new pub-restaurants account for around 62% of total sales. Profitability is also strong with an estimated annual return on capital of 18.6%, representing an effective investment multiple of 5.4x EBITDA.

Performance

Total revenue increased by 7.7% to £183.9 million reflecting the increased contribution from Retail Agreements. Underlying operating profit was £79.3 million, an increase of 0.6%. Average profit per pub increased by 2.1%.

The estate is comprised of two categories of pub: around 1,000 pubs that will remain on traditional tenanted agreements, and at least 600 pubs that we are converting to Retail Agreements.

In the traditional estate the performance has been stable, with revenue up 0.7%, and operating profit up 0.8% on last year. Rent increased by 1.6%, supporting our long-held view that our rent setting process is fair with the clear objective of establishing sustainable rent levels. Tenant turnover is also low at around 10%, demonstrating that good tenanted and leased pubs operated by skilled licensees are capable of meeting the challenges of the current economic environment. Operating margins in these pubs are similar to last year.

Performance in the 600 pubs remaining has improved significantly as we have steadily converted this group of pubs to Retail Agreement. At the year-end, Retail Agreements operated in 337 pubs. These conversions contributed £1.3 million of profit growth this year, offset by continued profit decline in the pubs yet to be converted. As highlighted earlier, the rollout of the agreement represents a significant growth opportunity and over the next two years we expect to address this decline by converting the remainder of the 600 pubs.

Operating margin for the division was 3.0% lower at 43.1%, primarily due to the Retail Agreement. These franchise agreements generate increased profit but the operating margin percentage is reduced. Capital investment in the period was £33 million including around £14 million in Retail Agreement pubs and £13 million in maintenance capital, demonstrating our commitment to maintaining a high quality estate.

Stability in the traditional estate

Our objective for pubs operating under the traditional tenanted model is to operate a stable, well-invested estate that can achieve sustainable modest growth. In the past year we have introduced a series of measures to support this strategy:

- **Enhanced licensee support**. We have integrated Group commercial functions - those supporting our managed pubs and our tenanted and leased pubs - into one team to ensure that we maximise the benefits of our managed pub expertise and greater buying power across all of our pubs, and thus increase the level of support we are able to offer to our licensees. This provides licensees with access to improved purchasing terms and revenue generating ideas to improve the performance of their businesses. The benefit of this support is reflected in our low licensee turnover and the fact that we have very few closed pubs.

- **Flexible agreements.** We recognise that our licensees may seek to structure their commercial arrangements in different ways. We now offer licensees a variety of agreements offering different levels of discount and alternative drinks tie arrangements, including free-of-tie options.

- **New internal code of conduct.** We have introduced stricter criteria which potential licensees must meet to take on a lease agreement. We only seek to appoint licensees who demonstrate they are appropriately skilled and funded, supported by a robust business plan. We recognise that this may delay the recruitment process, but it is consistent with our objective of increased licensee stability.

- **Selective capital investment.** In conjunction with our licensees we will selectively invest in pubs which offer opportunities for growth. We intend to invest up to £5 million in 2012 providing our internal returns criteria are met.

Development of the Retail Agreement

There are several features of the agreement that contribute to improved performance:

- **Reduced risk for the franchisee.** The franchisee earns around 20% of total revenue, and is responsible for staff costs. Marston's retains responsibility for other operating costs and stock. The franchisee is required to provide a £5,000 returnable deposit.

- **Attractive consumer proposition.** Marston's invests around £50,000 to improve the consumer appeal of the pub. The retail offer, including food menus and entertainment, is developed by the same team that is responsible for our managed pubs. A key attraction for franchisees is that negotiations over rent and beer prices play no part in this business model, helping to ensure that all stakeholders are focused on maximising consumer satisfaction, and thus revenue.

- **Wider pool of retailers.** The Retail Agreement attracts nearly three times more applicants than the traditional tenanted model. Following franchise accreditation with the British Franchise Association we are able to promote the agreement to a wider pool of entrepreneurs, with nearly 30% of Retail Agreement licensees having come from outside the industry. This high demand helps to ensure that the quality of our licensees remains high.

- **Strong licensee endorsement.** During the year we undertook a survey of 132 franchisees to establish their views of the agreement. The response was extremely positive – 85% of franchisees commented that they were 'making an acceptable living or better', and 93% would 'recommend the agreement to others'. This is reflected in high franchisee stability levels.

MARSTON'S BEER COMPANY

Performance

Total revenue increased by 0.4% to £106.5 million. Underlying operating profit increased by 0.6% to £16.3 million.

Overall ale volumes were up 2% on last year, with premium cask ale volumes up 5% and bottled ale volumes up 6%. Our focus on premium ale has driven significant progress in our share of these segments, with our share in premium cask ale growing by a further 3% to 26% and a leading 24% share of premium bottled ale. Approximately three quarters of our own-brewed beers are sold to third parties.

Our 'localness' strategy continues to drive growth in the independent free trade. We anticipate an increase in the number of free trade opportunities in future as the pub sector evolves, and we have increased our resources in key geographical target areas to exploit market conditions. Our free trade account base increased by 7% to around 3,600 customers, and cask ale sales to this sector increased by 4%.

In the take home market we have built successfully on our strong 2010 performance with volumes up 1%. Cask ale sales to tenanted and managed pub companies were up 8% in the year, with good progress in particular in the managed pub sector.

Operating margin was level with last year at 15.3%. As we noted at the interim results, we anticipate cost inflation of around £1 million, which we will mitigate through a combination of price increases and the introduction of energy saving cost initiatives.

Continued brand investment

Our brand investment programme comprises investment at both a national and regional level. Nationally, we continue to invest in Marston's Pedigree as 'The Official Beer of England Cricket', and Hobgoblin remains positioned as the' Unofficial Beer of Halloween'. Locally, we continue to support our regional brands through long-term sponsorships of events including the New Forest Show and the Keswick Jazz Festival.

Our brands have been further supported by the continued rollout of our innovative fast**cask**™ system which has expanded the market for cask ale into venues, such as Lord's Cricket Ground, holiday parks and music festivals. Fast**cask**™ now accounts for 20% of our cask ale sales.

FINANCIAL REVIEW

	Revenue		**Underlying operating profit**		**Margin**	
	2011	2010	**2011**	2010	**2011**	2010
	£m	£m	**£m**	£m	**%**	%
Marston's Inns and Taverns	**391.8**	373.8	**71.0**	65.1	**18.1**	17.4
Marston's Pub Company	**183.9**	170.8	**79.3**	78.8	**43.1**	46.1
Marston's Beer Company	**106.5**	106.1	**16.3**	16.2	**15.3**	15.3
Marston's Group Services	**-**	-	**(12.3)**	(11.4)	**(1.8)**	(1.8)
Group	**682.2**	650.7	**154.3**	148.7	**22.6**	22.9

Results for the 52 weeks to 1 October 2011

Despite the continued tough economic backdrop, Group revenue was 4.8% up on last year, with improving trends in all three of our trading divisions. Group operating margin was 0.3% down on last year predominantly a result of the increasing number of Retail Agreements. Margins improved in Marston's Inns and Taverns reflecting our continued focus on tight cost control.

Underlying operating profit increased by 3.8% to £154.3 million and underlying earnings per share were up 12.0% to 11.2 pence per share (2010: 10.0 pence per share).

Operating profit after exceptional items was £151.6 million (2010: £132.4 million) and basic earnings per share after exceptional items were 12.1 pence per share (2010: 8.3 pence per share). One of our core strategic objectives is to increase return on capital employed. In 2011 this figure was 9.8% representing an improvement on the 2010 figure of 9.6%.

Capital expenditure

Capital expenditure was £111.5 million in 2011 (2010: £83.5 million), including the construction of 19 new-build sites and the conversion of a further 233 Retail Agreements. We expect capital expenditure to be between £100 million and £110 million in 2012. The level of maintenance capital expenditure will be broadly similar to 2011.

Disposals

We continually review our property portfolio and sell those with low growth prospects or those with higher alternative use value. Despite a challenging property market, we sold 25 properties during the year, generating cash of £15.2 million, at a surplus to book value. Since the year end we have received £16 million of proceeds in respect of the disposal of five pubs to Fuller, Smith & Turner plc.

Financing

The blended cost of debt for the Group remained unchanged at 6.9%. The debt structure for the group comprises a revolving bank facility, together with a long term securitisation of approximately £1,000 million.

Subsequent to the period end we have signed a new bank facility removing any need for short-term refinancing. The new £257.5 million bank facility expires in May 2016 and replaces our existing £295 million bank facility originally expiring in August 2013. The level of operational flexibility under the new facility is similar to the existing facility and the blended cost of debt for the Group remains the same.

The Group has significant headroom on both the banking and securitisation covenants. Importantly, the Group also has flexibility within the financing structures to transfer pubs between the banking and securitisation groups.

Net debt of £1,100.8 million at 1 October 2011 is an increase of £18.6 million compared to £1,082.2 million at 2 October 2010. The modest increase in net debt is a consequence of the previously highlighted increase in growth capital expenditure. Operating cashflow of £182.4 million remains strong, driven by a combination of the improved profit and continued working capital improvements.

For the period ended 1 October 2011 the ratio of net debt to EBITDA before exceptional items fell to 5.6 times (2010: 5.7 times). It remains our intention to reduce this ratio to below 5.0 times. Interest cover of 2.1 times has improved slightly versus last year (2010: 2.0 times).

Net finance costs before exceptional items are £1.3 million below last year largely driven by higher levels of pension interest income.

Treasury management

The Group regularly reviews its forecast short-term and medium-term cash flows. Excess cash is placed either on short-term deposit or invested in deposits which are refundable on demand. The vast majority of the Group's borrowings are 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 review by the treasury committee. The banking and securitisation covenants are reviewed throughout the year by the treasury committee and the Board with a focus on ensuring appropriate headroom is available.

Pensions

Our final salary pension scheme at the year end showed a surplus of £7.1 million before tax (2010: £25.0 million deficit), and £5.3 million after tax (2010: £18.2 million deficit).

Contributions to the scheme were broadly similar to last year with an £11 million top-up contribution. The top-up contribution increases at 5.75% annually, with the intention of funding the actuarial deficit over the next eight years.

Taxation

The underlying rate of taxation (before exceptional items) of 20.9% in 2011 is below the standard rate of corporation tax of 27% primarily due to credits in respect of deferred tax on property.

The underlying tax rate has decreased by 1.4% from 22.3% in 2010.

Exceptional items

There is net exceptional profit of £0.4 million before tax. This reflects a £3.1 million gain in respect of the mark-to-market valuation of certain interest rate swaps, offset by £2.7 million of costs relating to the group reorganisation.

GROUP INCOME STATEMENT
For the 52 weeks ended 1 October 2011

	2011			2010		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	**682.2**	**-**	**682.2**	650.7	-	650.7
Operating expenses	**(527.9)**	**(2.7)**	**(530.6)**	(502.0)	(16.3)	(518.3)
Operating profit	**154.3**	**(2.7)**	**151.6**	148.7	(16.3)	132.4
Finance costs	**(76.1)**	**-**	**(76.1)**	(75.7)	-	(75.7)
Finance income	**2.2**	**-**	**2.2**	0.5	-	0.5
Movement in fair value of interest rate swaps	**-**	**3.1**	**3.1**	-	(4.7)	(4.7)
Net finance costs	**(73.9)**	**3.1**	**(70.8)**	(75.2)	(4.7)	(79.9)
Profit before taxation	**80.4**	**0.4**	**80.8**	73.5	(21.0)	52.5
Taxation	**(16.8)**	**4.8**	**(12.0)**	(16.4)	11.4	(5.0)
Profit for the period attributable to equity shareholders	**63.6**	**5.2**	**68.8**	57.1	(9.6)	47.5

Earnings per share:

	2011	2010
Basic earnings per share	**12.1p**	8.3p
Basic earnings per share before exceptional items	**11.2p**	10.0p
Diluted earnings per share	**12.0p**	8.3p
Diluted earnings per share before exceptional items	**11.1p**	10.0p

GROUP STATEMENT OF COMPREHENSIVE INCOME
For the 52 weeks ended 1 October 2011

	2011 £m	2010 £m
Profit for the period	**68.8**	47.5
Losses arising on cash flow hedges	**(47.4)**	(54.3)
Transfers to the income statement on cash flow hedges	**21.1**	22.3
Actuarial gains/(losses) on retirement benefits	**17.0**	(1.0)
Unrealised surplus on revaluation of properties	**-**	3.3
Reversal of past revaluation surplus	**(0.2)**	(2.0)
Tax relating to components of other comprehensive income/(expense)	**10.4**	14.4
Other comprehensive income/(expense) for the period	**0.9**	(17.3)
Total comprehensive income for the period	**69.7**	30.2

GROUP CASH FLOW STATEMENT

For the 52 weeks ended 1 October 2011

	2011 £m	2010 £m
Operating activities		
Operating profit before exceptional items	**154.3**	148.7
Exceptional operating items	**(2.7)**	(16.3)
Depreciation and amortisation	**41.5**	39.9
EBITDA	**193.1**	172.3
Working capital and non-cash movements	**12.9**	26.4
Difference between defined benefit pension contributions paid and amounts charged	**(13.0)**	(11.8)
Income tax (paid)/received	**(10.6)**	2.4
Net cash inflow from operating activities	**182.4**	189.3
Investing activities		
Interest received	**0.4**	0.9
Sale of property, plant and equipment and assets held for sale	**13.3**	17.5
Purchase of property, plant and equipment and intangible assets	**(111.5)**	(83.5)
Sale of subsidiary and associated business	**1.9**	-
Movement in other non-current assets	**2.1**	2.7
Net cash outflow from investing activities	**(93.8)**	(62.4)
Financing activities		
Equity dividends paid	**(33.0)**	(33.0)
Interest paid	**(70.3)**	(73.5)
Proceeds of ordinary share capital issued	**0.1**	-
Repayment of securitised debt	**(20.3)**	(19.4)
Advance/(repayment) of bank loans	**29.0**	(28.0)
Repayment of loan notes	**(0.6)**	(4.8)
Net cash outflow from financing activities	**(95.1)**	(158.7)
Net decrease in cash and cash equivalents	**(6.5)**	(31.8)

Reconciliation of net cash flow to movement in net debt

	2011	2010
Decrease in cash and cash equivalents in the period	**(6.5)**	(31.8)
Cash (inflow)/outflow from movement in debt	**(8.1)**	52.2
Change in debt resulting from cash flows	**(14.6)**	20.4
Non-cash movements and deferred issue costs	**(4.0)**	(3.3)
Movement in net debt in the period	**(18.6)**	17.1
Net debt at beginning of the period	**(1,082.2)**	(1,099.3)
Net debt at end of the period	**(1,100.8)**	(1,082.2)

GROUP BALANCE SHEET
As at 1 October 2011

	1 October 2011 £m	2 October 2010 £m
Assets		
Non-current assets		
Goodwill	**224.2**	224.2
Other intangible assets	**24.6**	24.6
Property, plant and equipment	**1,989.4**	1,930.2
Deferred tax assets	**63.3**	65.5
Retirement benefit surplus	**7.1**	-
Other non-current assets	**17.1**	19.2
	2,325.7	2,263.7
Current assets		
Inventories	**18.8**	17.2
Trade and other receivables	**74.5**	65.3
Cash and cash equivalents	**76.6**	59.5
	169.9	142.0
Assets held for sale	**6.5**	16.0
Liabilities		
Current liabilities		
Borrowings	**(41.1)**	(16.9)
Derivative financial instruments	**(17.6)**	(20.8)
Trade and other payables	**(143.9)**	(115.7)
Current tax liabilities	**(25.8)**	(25.2)
	(228.4)	(178.6)
Non-current liabilities		
Borrowings	**(1,136.3)**	(1,124.8)
Derivative financial instruments	**(135.2)**	(108.9)
Retirement benefit obligations	**-**	(25.0)
Deferred tax liabilities	**(159.3)**	(171.3)
Other non-current liabilities	**(0.4)**	(0.3)
Provisions for other liabilities and charges	**(24.9)**	(32.3)
	(1,456.1)	(1,462.6)
Net assets	**817.6**	780.5
Shareholders' equity		
Equity share capital	**44.3**	44.3
Share premium account	**332.6**	332.5
Merger reserve	**41.5**	41.5
Revaluation reserve	**411.4**	401.7
Capital redemption reserve	**6.8**	6.8
Hedging reserve	**(101.4)**	(79.5)
Own shares	**(130.9)**	(130.9)
Foreign exchange reserve	**-**	0.2
Retained earnings	**213.3**	163.9
Total equity	**817.6**	780.5

GROUP STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 1 October 2011

	Equity share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Foreign exchange reserve £m	Retained earnings £m	Total £m
At 3 October 2010	44.3	332.5	41.5	401.7	6.8	(79.5)	(130.9)	0.2	163.9	780.5
Profit for the period	-	-	-	-	-	-	-	-	68.8	68.8
Actuarial gains	-	-	-	-	-	-	-	-	17.1	17.1
Tax on actuarial gains	-	-	-	-	-	-	-	-	(4.5)	(4.5)
Post-retirement medical benefits	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Losses on cash flow hedges	-	-	-	-	-	(47.4)	-	-	-	(47.4)
Transfers to the income statement on cash flow hedges	-	-	-	-	-	21.1	-	-	-	21.1
Tax on hedging reserve movements	-	-	-	-	-	4.4	-	-	-	4.4
Property impairment	-	-	-	(0.2)	-	-	-	-	-	(0.2)
Deferred tax on properties	-	-	-	10.5	-	-	-	-	-	10.5
Total comprehensive income/(expense)	-	-	-	10.3	-	(21.9)	-	-	81.3	69.7
Share-based payments	-	-	-	-	-	-	-	-	0.3	0.3
Issue of shares	-	0.1	-	-	-	-	-	-	-	0.1
Disposal of properties	-	-	-	(0.4)	-	-	-	(0.2)	0.6	-
Transfer to retained earnings	-	-	-	(0.2)	-	-	-	-	0.2	-
Dividends paid	-	-	-	-	-	-	-	-	(33.0)	(33.0)
Total transactions with owners	-	0.1	-	(0.6)	-	-	-	(0.2)	(31.9)	(32.6)
At 1 October 2011	44.3	332.6	41.5	411.4	6.8	(101.4)	(130.9)	-	213.3	817.6

	Equity share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Foreign exchange reserve £m	Retained earnings £m	Total £m
At 4 October 2009	44.3	332.5	41.5	396.0	6.8	(55.4)	(130.9)	0.2	148.2	783.2
Profit for the period	-	-	-	-	-	-	-	-	47.5	47.5
Actuarial losses	-	-	-	-	-	-	-	-	(1.3)	(1.3)
Tax on actuarial losses	-	-	-	-	-	-	-	-	0.3	0.3
Post-retirement medical benefits	-	-	-	-	-	-	-	-	0.3	0.3
Losses on cash flow hedges	-	-	-	-	-	(54.3)	-	-	-	(54.3)
Transfers to the income statement on cash flow hedges	-	-	-	-	-	22.3	-	-	-	22.3
Tax on hedging reserve movements	-	-	-	-	-	7.9	-	-	-	7.9
Property impairment	-	-	-	(2.0)	-	-	-	-	-	(2.0)
Property revaluation	-	-	-	3.3	-	-	-	-	-	3.3
Deferred tax on properties	-	-	-	6.2	-	-	-	-	-	6.2
Total comprehensive income/(expense)	-	-	-	7.5	-	(24.1)	-	-	46.8	30.2
Share-based payments	-	-	-	-	-	-	-	-	0.1	0.1
Disposal of properties	-	-	-	(1.6)	-	-	-	-	1.6	-
Transfer to retained earnings	-	-	-	(0.2)	-	-	-	-	0.2	-
Dividends paid	-	-	-	-	-	-	-	-	(33.0)	(33.0)
Total transactions with owners	-	-	-	(1.8)	-	-	-	-	(31.1)	(32.9)
At 2 October 2010	44.3	332.5	41.5	401.7	6.8	(79.5)	(130.9)	0.2	163.9	780.5

NOTES

1 Accounting policies

Basis of preparation
The financial information for the 52 weeks ended 1 October 2011 (2010: 52 weeks ended 2 October 2010) has been extracted from the audited financial statements, which 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 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally land and buildings, derivative financial instruments, retirement benefits and share-based payments.

2 Segment reporting

	1 October 2011					
	Marston's Inns and Taverns £m	**Marston's Pub Company £m**	**Marston's Beer Company £m**	**Marston's Group Services £m**	**Unallocated £m**	**Total £m**
Revenue	**391.8**	**183.9**	**106.5**	**-**	**-**	**682.2**
Operating profit before exceptional items	**71.0**	**79.3**	**16.3**	**(12.3)**	**-**	**154.3**
Exceptional items	**(0.7)**	**(1.0)**	**(0.2)**	**(0.8)**	**-**	**(2.7)**
Operating profit	**70.3**	**78.3**	**16.1**	**(13.1)**	**-**	**151.6**
Net assets	**927.0**	**1,093.7**	**148.8**	**16.4**	**(1,368.3)**	**817.6**

	2 October 2010					
	Marston's Inns and Taverns £m	**Marston's Pub Company £m**	**Marston's Beer Company £m**	**Marston's Group Services £m**	**Unallocated £m**	**Total £m**
Revenue	373.8	170.8	106.1	-	-	650.7
Operating profit before exceptional items	65.1	78.8	16.2	(11.4)	-	148.7
Exceptional items	(11.4)	(3.6)	(0.3)	(1.0)	-	(16.3)
Operating profit	53.7	75.2	15.9	(12.4)	-	132.4
Net assets	902.1	1,088.2	148.4	9.7	(1,367.9)	780.5

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

3 Exceptional items

	2011 £m	2010 £m
Operating items		
Reorganisation costs	**2.7**	-
Recognition of onerous lease and other property related provisions	**-**	18.9
Property related insurance claims	**-**	2.1
VAT refund	**-**	(4.7)
	2.7	16.3
Non-operating items		
Movement in fair value of interest rate swaps	**(3.1)**	4.7
	(0.4)	21.0

Reorganisation costs

Reorganisation costs of £2.7 million were incurred during the period. These related to the restructuring of the Group's trading divisions.

Movement in fair value of interest rate swaps

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 increase of £3.1 million (2010: decrease of £4.7 million) in the fair value of swaps, where hedge accounting has not been applied, is shown as an exceptional item.

Impact of taxation

The current tax credit relating to the above exceptional items amounts to £0.7 million (2010: £7.8 million). The deferred tax charge relating to the above exceptional items amounts to £0.9 million (2010: credit of £1.5 million). In addition, £5.0 million (2010: £2.1 million) has been credited as exceptional in relation to the change in corporation tax rate.

Prior period exceptional items

A review of the Group's leases during the prior period identified £18.9 million of onerous leases requiring provision. This related to an additional provision for some previously recognised onerous leases where market conditions had deteriorated, and a provision for rent payments following the reversion of onerous leases to the Group in the prior period.

Property related insurance claim costs of £2.1 million were incurred during the prior period, principally relating to flooding and fire claims. The Group's properties in the Lake District, including the Jennings Brewery and local pubs in particular, suffered significant flood damage during the prior period. A condition of the Group's insurance policy is that it is responsible for a portion of the claims.

During the prior period a refund of £5.1 million was received from HM Revenue & Customs in relation to VAT on gaming machine income. It followed Tribunal/Court of Appeal hearings involving The Rank Group Plc. A gain of £4.7 million (net of associated fees) was recognised as an exceptional item in the income statement.

4 Taxation

Income statement	2011 £m	2010 £m
Current tax		
Current period	**15.4**	16.0
Credit in respect of tax on exceptional items	**(0.7)**	(7.8)
Adjustments in respect of prior periods	**(3.3)**	(9.1)
	11.4	(0.9)
Deferred tax		
Current period	**1.0**	0.3
Adjustments in respect of prior periods	**3.7**	9.2
Exceptional charge/(credit) in respect of the movement in fair value of interest rate swaps	**0.9**	(1.3)
Exceptional credit in relation to the change in tax rate	**(5.0)**	(2.1)
Credit in respect of tax on other exceptional items	**-**	(0.2)
	0.6	5.9
Taxation charge reported in the income statement	**12.0**	5.0

5 Ordinary dividends on equity shares

	2011 £m	2010 £m
Paid in the period		
Final dividend for 2010 of 3.70p per share (2009: 3.70p)	**21.0**	21.0
Interim dividend for 2011 of 2.10p per share (2010: 2.10p)	**12.0**	12.0
	33.0	33.0

A final dividend for 2011 of 3.70p per share amounting to £21.0 million has been proposed for approval at the Annual General Meeting, but has not been reflected in the financial statements.

Subject to approval at the Annual General Meeting this dividend will be paid on 1 February 2012 to those shareholders on the register at close of business on 16 December 2011.

6 Earnings per ordinary share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the weighted average market price of the Company's shares during the period. The effect of the dilutive options is to increase the weighted average number of shares by 3.1 million (2010: 2.0 million).

Underlying earnings per share figures are presented to exclude the effect of exceptional items.

	2011			2010		
	Earnings £m	**Weighted average number of shares m**	**Per share amount p**	Earnings £m	Weighted average number of shares m	Per share amount p
Basic earnings per share	**68.8**	**568.9**	**12.1**	47.5	569.3	8.3
Diluted earnings per share	**68.8**	**572.0**	**12.0**	47.5	571.3	8.3
Underlying earnings per share figures:						
Basic earnings per share before exceptional items	**63.6**	**568.9**	**11.2**	57.1	569.3	10.0
Diluted earnings per share before exceptional items	**63.6**	**572.0**	**11.1**	57.1	571.3	10.0

7 Analysis of net debt

	2011 £m	Cash flow £m	Non-cash movements and deferred issue costs £m	2010 £m
Cash and cash equivalents				
Cash at bank and in hand	**76.6**	17.1	-	59.5
Bank overdrafts	**(23.6)**	(23.6)	-	-
	53.0	(6.5)	-	59.5
Debt due within one year				
Loan notes	**-**	0.6	-	(0.6)
Bank loans	**1.5**	-	-	1.5
Securitised debt	**(19.0)**	20.3	(21.5)	(17.8)
	(17.5)	20.9	(21.5)	(16.9)
Debt due after one year				
Bank loans	**(124.7)**	(29.0)	(1.5)	(94.2)
Securitised debt	**(1,011.5)**	-	19.0	(1,030.5)
Preference shares	**(0.1)**	-	-	(0.1)
	(1,136.3)	(29.0)	17.5	(1,124.8)
	(1,100.8)	(14.6)	(4.0)	(1,082.2)

Included within cash at bank and in hand is an amount of £4.3 million (2010: £3.9 million), which relates to a letter of credit with Royal Sun Alliance Insurance, and an amount of £8.9 million (2010: £8.6 million), which relates to collateral held in the form of cash deposits. These amounts are 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.

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

Notes:

a. The contents of this preliminary announcement, which constitute summary financial statements as defined in Section 427 of the Companies Act 2006, have been extracted from the audited statutory accounts of the Group for the 52 weeks ended 1 October 2011, which will be filed with the Registrar of Companies in due course. The statutory accounts for the 52 weeks ended 2 October 2010 have been delivered to the Registrar of Companies. The independent auditors' report on these accounts is unqualified and does not contain any statements under section 498 (2) or (3) of the Companies Act 2006.

b. The annual report for the 52 weeks ended 1 October 2011 will be posted to shareholders on 16 December 2011. Copies will be obtainable from Hudson Sandler Limited (020 7796 4133) or from The Company Secretary, Marston's PLC, Marston's House, Brewery Road, Wolverhampton, WV1 4JT.