29 November 2012

MARSTON'S PLC

PRELIMINARY RESULTS FOR THE PERIOD ENDED 29 SEPTEMBER 2012

"All trading segments in revenue and profit growth"

FINANCIAL HIGHLIGHTS

- Group revenue up 5.5% to £719.7 million (2011: £682.2 million)
- Underlying profit before tax of £87.8 million up 9.2% (2011: £80.4 million)
- Managed like-for-like (lfl) sales up 2.2% with underlying operating margins up 0.2%
- Tenanted and Franchised operating profit up 3.2%
- Brewing revenue up 6.8% and operating profit up 0.6% with Group ale volumes up 2%
- Estate valuation in line with 2011 carrying value, as previously reported
- Cash return on capital employed up 0.9% to 10.7%
- Underlying earnings per share up 9.8% to 12.3 pence per share
- Final dividend of 3.9 pence per share, up 5%

STRATEGY HIGHLIGHTS

- **Managed pub development** - 25 new-build pubs completed with performance ahead of target; on track to build another 20-25 in 2013
- **The 'F-Plan', value and service** - food lfl sales up 2.4% now representing 44% (2011: 42%) of sales; over 28 million meals sold
- **Managed pub formats –** lfl sales growth in destination food pubs, traditional community pubs and premium pubs and bars
- **Tenanted and franchised pub development –** franchise agreements implemented in around 500 pubs, achieving strong profit growth
- **'Localness' and premium ale strategy –** retained market leading shares in premium cask ale and bottled ale segments, with 1% market share growth in 2012

CURRENT TRADING – 8 WEEKS TO 24 NOVEMBER 2012

- Managed lfl sales up 2.0% including lfl food sales up 3.4% and lfl wet sales up 0.9%
- Tenanted and Franchised profits estimated to be up 3%
- Own-brewed volumes are in line with our expectations

Commenting, Ralph Findlay, Chief Executive Officer, said:
"These results demonstrate resilience despite the weak economy and very poor weather during the summer. All areas of the business achieved increased revenue and profit in the year, demonstrating the continuing appeal of good pubs and beers.

The economy is likely to remain weak for the foreseeable future, but we have a clear, proven strategy which is appropriate for current market conditions, and which is achieving growth."

ENQUIRIES:

Marston's PLC
Ralph Findlay, Chief Executive Officer
Andrew Andrea, Chief Financial 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 around 13,000 people.
- 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 AND STRATEGY

2012 summary

Our results demonstrate good progress in implementing our strategy, despite the challenging consumer environment and exceptionally wet weather over the summer months. As a result, we are able to announce growth in earnings and dividends.

Revenue increased by 5.5% to £719.7 million, with growth achieved in each of our trading segments: Managed Pubs; Tenanted and Franchised; and Brewing. Operating profit increased but, as anticipated, operating margin was 0.7% below last year principally reflecting more pubs operating under our innovative Retail Agreement (around 500 at the year end, compared to 337 last year) and a higher off-trade sales mix in Brewing. Margins improved in Managed Pubs as a consequence of good cost management and modest price increases.

Underlying operating profit increased by 2.3% to £157.9 million, with underlying profit before tax of £87.8 million up 9.2% (2011: £80.4 million). Underlying earnings per share increased by 9.8% to 12.3 pence per share (2011: 11.2 pence per share). Net debt at the year end was £1,121 million (2011: £1,101 million), including the benefit of a £20 million sale and leaseback transaction completed in the second half year at an attractive cost of finance.

During the year the pub estate was valued independently, the last valuation having been undertaken in 2007. The overall value of the estate is broadly in line with the existing book value, including a significant increase in the value of our managed estate offset by a reduction in the carrying value of our tenanted and franchised estate. Within the overall uplift in the managed estate, the average increase in value of new-build pub-restaurants was at a 56% premium to the build-cost. As stated in our year-end trading update, for accounting purposes revaluation surpluses are required to be recognised in the revaluation reserve whilst a pre-tax exceptional charge of £215 million has been taken through the income statement.

The proposed final dividend of 3.9 pence per share represents a 5% increase compared to 2011, providing a total dividend for the year of 6.1 pence per share, which is also up 5% (2011: 5.8 pence). Dividend cover increased to 2.0 times (2011: 1.9 times). The increase in dividend is consistent with our stated policy to achieve dividend cover of around 2 times earnings in the medium term.

Our key financial objectives remain: sustainable growth, increasing return on capital, and reducing leverage. Our performance clearly demonstrates progress against these objectives. Cash return on capital employed has increased to 10.7%, reflecting the continued disciplined allocation of capital within the business. We have acquired a number of sites during the year to secure development in 2013 and 2014 which has meant that at the year end the ratio of net debt to EBITDA is unchanged at 5.6 times. On a pro-forma basis, incorporating the impact of the 2012 new-build programme, debt to EBITDA is 5.4 times.

David Thompson, Chairman, has indicated his intention to retire after 35 years' service. David's contribution to the Company and the industry has been immense, and his intellect and capacity for hard work have been invaluable. During David's tenure, as Managing Director from 1986 to 2001, and as Chairman since 2001, the Company has expanded from its regional origins to become a national pub operator and brewer.

David will continue to demonstrate the passion and enthusiasm for the industry, and for which he is renowned, through his other business interests. He will remain as Chairman until his successor is appointed; Robin Hodgson will lead the selection process.

Current trading and outlook

We have seen an encouraging start to the new financial year. In Managed Pubs, like-for-like sales in the eight weeks to 24 November 2012 increased by 2.0%, with food sales growth of 3.4%, and wet sales improving by 0.9%. In our Tenanted and Franchise pubs, profit trends continue to improve steadily and are estimated to be up around 3%. Our beer brands are performing in line with our expectations.

We expect market conditions to remain challenging for the foreseeable future, with consumer confidence continuing to be subdued by weak economic conditions. Nevertheless, we are confident that our strategy is appropriate and that our focus on value, service and quality will continue to be attractive to our customers.

Strategy and implementation

Our strategy has been developed over time to be effective for the current economic climate and focuses on the organic development of the business. In implementing our strategy, a key change this year is that all pubs – managed, tenanted and franchised – are now operated by Marston's Inns and Taverns under the leadership of Peter Dalzell, Managing Director of Marston's Inns and Taverns. This was announced in our Year-end Trading Update on 3 October 2012. There are five key components to our plans:

1. Expansion of the managed estate through building new pub-restaurants

Investment in new-build pub-restaurants has been the primary growth driver in our business. Over the past six years we have built over 80 pubs across England and Wales including 25 in 2012. From an investment perspective, the new-build programme has generated a consistently high return on capital, achieved through the careful selection of sites and a strong consumer offer.

This good performance is demonstrated by the fact that the average annual return on capital of our new-build programme since 2009 has been around 18%, representing an investment multiple of less than 6x EBITDA. This high return on capital has generated significant equity value, contributing to the 56% valuation uplift for new-build pub-restaurants referred to above.

Our site selection criteria include high traffic flow and proximity to residential areas, with locations being principally on retail and leisure parks and on main arterial routes to local population centres. Our experienced acquisitions team have established good relationships with site developers, helping to maintain a 'preferred partner' status in many areas and a strong site pipeline for the foreseeable future. We intend to build between 20 and 25 sites in 2013, including our first sites in Scotland. We expect to continue investment at a similar level over the next few years.

2. Development of a range of pub formats appropriate to local markets

Our range of pub formats is one of the strengths of our business model, enabling us to meet different customer expectations when visiting pubs: in each format, our objective is to be 'the best place around here' – for celebrating, socialising and convenience. Our formats fall into three principal groups, each of which achieved like-for-like sales growth in 2012.

Destination food pubs: our pubs in this category are principally in two formats - "Two for One" and "Milestone". Both formats offer excellent value for money to customers, with a focus on high quality food and drink in a relaxing pub environment at affordable prices. Service standards are high, including full table service in most sites. Our focus on service and pub ambience, together with interesting and varied menus, supports a high food sales mix of around 55%. Our new-build pub-restaurants are operated in these two formats.

Taverns: our community pubs are also principally in two formats - "Village" and "Homestead", the latter being suburban community pubs. Our primary objective is to offer traditional pub entertainment and everyday value food and drink in a traditional 'community local' pub environment. Typically, these are 'wet-led' pubs, although food sales are increasing and now represent 28% of sales mix. We expect food sales mix to continue to increase as a consequence of greater focus: we were the 2012 winner of the Neighbourhood Pub category of the Menu Innovation & Development Awards (Midas). Future investment in these pubs will be focused on maintenance capital and improving standards in existing sites.

Premium pubs and bars: this category comprises mainly Pitcher & Piano, but will in future include a small number of pubs which have been identified as suiting a more independent style in terms of pub design, food and drink, and service. The first three pubs are currently being converted, with up to 12 more identified if the project is successful. Pitcher & Piano has performed well in 2012, with good growth in like-for-like sales and profit; food sales mix of around 20% has increased through the introduction of new menus and a commitment to freshly prepared meals.

Operating within these formats Marston's Inns offers high quality pub accommodation in 50 pubs, and in 2013 we will build two lodges to be operated by Marston's Inns.

3. The 'F-Plan', value and service

Over the last seven years our organic development has been underpinned by the 'F-Plan': a focus on **F**ood, **F**amilies, **F**emales and **F**orty/**F**ifty somethings. The plan was introduced in anticipation of consumer trends including the development of the UK eating-out market; social and demographic changes such as higher female employment and a maturing UK population; and the potential for pubs to offer a better experience to families after the introduction of the smoking ban in 2007.

The impact of the plan on Marston's managed pubs has been transformational. Food sales have increased from around 28% of sales in 2005 to 44% in 2012, with 28 million meals served in the period and food-led occasions accounting for 75% of customer visits. The success of our 'family friendly' approach is evident in the three-fold increase in children's meals sold over seven years, and our commitment is visible in the development of designated family areas within our new-builds and Midas award-winning children's menus.

We anticipate that Marston's will continue to increase market share within the casual dining sector as we invest in new sites, offering good value and high service standards – both key priorities for customers. The introduction of full table service within our destination food pubs is referred to above. New developments include the introduction of a new customer feedback system - called the 'SMILE' report – and hand-held tills which, together with a new kitchen management system, are being rolled out to speed up order taking, service and billing.

The development of the 'F-Plan' is supported by comprehensive recruitment and training programmes designed to ensure that we recruit the best staff available in a highly skilled area, with clear development, training and career paths for all of our pub staff.

4. Innovation and flexibility in the tenanted and franchised estate

The success of our innovative approach to managing our tenanted estate, which has included franchises since 2009, is demonstrated by the increase in operating profit growth achieved in 2011 and the 3.2% increase in operating profit in 2012. This

performance is ahead of peers in the tenanted and leased sector as a whole, which has generally seen profits decline sharply for several years.

In determining our own response to pressures on tenanted and leased pubs we have focused on three principal groups of pubs: traditional agreements, franchise agreements, and pubs identified for disposal.

Traditional agreements: this group comprises around 1,000 pubs which continue to attract the best operators. Our approach is focused on four areas:

- **Pub standards:** in 2012 we invested around £7 million in maintenance capital, and expect this to remain broadly similar in 2013.
- **Agreement flexibility:** in order to attract the highest quality operators we have significant flexibility, including 'free-of-tie' agreements, to ensure we place the right licensee in each pub. Our agreements are subject to a legally binding Code of Practice which complies with the Industry Framework Code.
- **Sales and business support**: we offer direct promotional support and a wide range of goods and services which enable licensees to benefit from Marston's scale and buying power. Examples include food, waste management, cleaning materials and pub equipment.
- **Licensee quality:** recruitment across all of our pubs – managed, tenanted and franchised – is handled by one team. This unique structure provides wider opportunities for licensees, and has resulted in greater consistency and rigour in our recruitment processes. Licensee stability remains at over 90% maintaining the high level achieved in 2011.

Overall, this group of pubs achieved rental growth and profit stability in 2012.

Franchise agreements: we now have around 500 pubs operating under the Retail Agreement, up from 337 in 2011. The Retail Agreement was first introduced by Marston's in 2009 with the principal objectives of improving the offer to consumers and generating higher profits for Marston's and licensees. This type of agreement, with variations and modifications, has since become an established operating model in the tenanted and leased sector. There are three principal benefits to licensees:

- **Simplicity**: licensees retain around 20% of turnover with no payments for rent. Marston's bears all the running costs allowing licensees to focus on revenue maximisation.
- **Reduced funding:** licensees are required to place a refundable deposit, typically £5,000, but do not have to buy fixtures and fittings.
- **Reduced licensee risk:** other than for payroll costs, Marston's has responsibility for running expenses and stock. We ensure that these costs are managed effectively through using our established retail systems and our Group purchasing power.

An important feature of the Retail Agreement is that there is an enhanced customer proposition. We undertake moderate investment – typically £50,000 per pub - to improve the pub's appeal and provide amenities such as music, games and Sky Sports where appropriate. The overall retail offer, including menus and drinks range, is determined centrally by our Managed Pubs team: we are therefore able to ensure value, quality and consistency in the offer.

The benefits to Marston's are clear: the post-conversion profitability of the franchised estate is strong with 13% volume growth and 23% profit growth achieved in 2012. Licensee stability is high, at over 90%, and we receive more applicants for Retail Agreement pubs than for those operating under traditional agreements indicating prospective licensees clearly value the benefits described above. Around 30% of applications are from people new to the pub sector.

The Retail Agreement has so far been introduced into smaller pubs with a sustainable future which were formerly tenanted. We are now in the process of introducing a new version, “The Pub Franchise”, which we believe is appropriate for pubs with a greater turnover opportunity. This is suitable for operations within our Taverns formats, “Village” and “Homestead”. We have trialled four sites in the year and all are achieving positive results. As a result we expect to extend this further into the estate in 2013.

In summary, we anticipate that the franchised estate will comprise around 600 pubs by the end of the next financial year. The eventual population of the franchised estate will be determined by periodic review of the managed and tenanted estates to ensure that each pub is operated under the most appropriate format.

Disposals: we regularly review the traditional estate and the franchised estate to ensure that pubs which do not have a sustainable future are sold. The majority of these are likely to be sold for alternative use. We anticipate that disposal proceeds will be around £30-40 million per year for the next few years and will be a mixture of traditional and franchised pubs.

5. **Differentiation in the beer market through a ‘localness’ and premium ale strategy**

We increased beer volumes by 2% in 2012, building on the volume growth and market share gains achieved in recent years. Our strategy for continued market share gains has two principal elements: a brand range comprising genuinely local ales in the on-trade, and a focus on premium bottled ales in the off-trade. This strategy has enabled us to benefit from increasing consumer demand for regional beers, particularly cask ales, in pubs; and for high quality premium brands in the off-trade.

Our brand portfolio is supported by high standards of service to our customers in the independent free trade and pub sector generally, and through category knowledge and leadership including ownership of publications such as The Cask Ale Report and The Premium Bottled Ale Report. Our market leadership has been further demonstrated by the continued success of our innovative fast**cask**™ system. This has enabled us to expand the market for cask ale into venues which historically would not easily have stocked cask ale including cricket venues, holiday parks and music festivals. Fast**cask**™ now accounts for 30% of our cask ale sales, up from 20% in 2011.

Our marketing activity reflects the national and regional mix of our brands: 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’. Regionally, we support local brands through sponsorships of events including the New Forest Show, the Henley Regatta and the Keswick Jazz Festival.

High quality pub estate

During this financial year our pub estate has been externally revalued in accordance with the Group’s accounting policy. The key results of the revaluation are as follows:

- The overall estate value of £2 billion is broadly in line with the carrying value reported in the 2011 accounts.
- The new-build sites that have been built since 2009 have been valued at over 50% above their build cost.
- Excluding new-builds, the managed pub estate has increased in value reflecting its improved quality.
- The reduction in value of the tenanted and franchised estate reflects the current value of tenanted and franchised pubs in the market place.
- Our financing strategy assumes a certain level of disposal activity each year. The revaluation of the tenanted and franchised estate provides a pipeline of assets that can fulfil this disposal objective without any impact on Group profits.

- For accounting purposes, revaluation surpluses are recognised in the revaluation reserve whilst some deficits are required to be recognised in the income statement. Accordingly a pre-tax exceptional charge of £215 million has been taken through the income statement.

The estate valuation has no impact on underlying trading performance or on the Group's cashflow.

PERFORMANCE AND FINANCIAL REVIEW

	Revenue		**Underlying operating profit**		**Margin**	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 %**	2011 %
Managed Pubs	**405.5**	391.8	**74.2**	71.0	**18.3**	18.1
Tenanted and Franchised	**200.5**	183.9	**81.8**	79.3	**40.8**	43.1
Brewing	**113.7**	106.5	**16.4**	16.3	**14.4**	15.3
Group Services	**-**	-	**(14.5)**	(12.3)	**(2.0)**	(1.8)
Group	**719.7**	682.2	**157.9**	154.3	**21.9**	22.6

Managed Pubs

Total revenue increased by 3.5% to £405.5 million reflecting the continued strong performance of our new-build pub-restaurants and growth in like-for-like sales, offset by the impact of the disposal of 20 pubs over the last two years. Excluding disposals, revenue within the retained estate has increased by 7%. Underlying operating profit of £74.2 million was up 4.5% (2011: £71.0 million). Average profit per pub has grown to £151k, an increase of 4.1%.

Total like-for-like sales were 2.2% above last year, with growth in all three segments of the estate: destination food pubs, taverns and premium pubs and bars. Like-for-like food sales were up by 2.4% achieved principally through volume growth, reflecting our continued focus on offering value-for-money and evolving the 'F-Plan'. Food now accounts for 44% of total sales (2011: 42%).

Like-for-like wet sales increased by 2.2%, outperforming a declining UK on-trade drinks market. Sales of premium brands performed well complementing the growth of food sales within the estate. Premium cask ale sales increased for the fourth year in succession, with growth in premium lager sales. Wine is an increasingly important category and now accounts for around 20% of our drinks volumes.

We achieved a 0.2% improvement in operating margin through flexibility in menu management, a continued focus on cost management and modest price increases during the year. We have achieved a combination of both sales and margin growth in each of the last three years despite the challenging economic backdrop, a competitive environment and a period of continuous cost inflation.

Capital investment included around £60 million in new-build pub-restaurants, and £22 million in the existing estate including the refurbishment of 30 pubs and 14 garden investments.

Tenanted and Franchised

Total revenue increased by 9.0% to £200.5 million reflecting the increased contribution from Retail Agreements. Underlying operating profit was £81.8 million, an increase of 3.2%. Average profit per pub increased by 4.1% to £50k.

In the traditional estate performance was stable with operating profit in line with last year. Rent increased by 2% and operating margins in these pubs were similar to last year.

In the remaining 600 pubs the conversion of pubs to Retail Agreement has contributed to a significant improvement in performance. Profit from this group of pubs increased by 23% with significant improvement in the converted pubs, offset by a decline in those pubs yet to be converted. Retail Agreements operated in around 500 pubs at the year end.

Operating margin was 2.3% below last year at 40.8%, primarily due to franchise agreements. These agreements generate increased profit but the operating margin percentage is reduced as a consequence of accounting for sales at full retail value.

Capital investment in the period was £32 million including around £12 million in Retail Agreement pubs.

Brewing

Total revenue increased by 6.8% to £113.7 million. Underlying operating profit increased by 0.6% to £16.4 million.

Overall ale volumes were up 2% compared to last year, with premium cask ale volumes up 3% and bottled ale volumes up 18%. We have maintained our market-leading position, increasing our market share in each of these categories by over 1%.

In the independent free trade our account base increased by 3% to more than 3,800 customers, and premium ale sales to this sector increased by 3%. In the take home market we continue to perform very strongly with volumes up 14%.

Operating margin was down versus last year at 14.4%, reflecting the higher proportion of volume through the off-trade, which commands a lower margin.

Group Services

As reported in our Interim Results, central costs at the half year were higher due to insurance costs and one-off advisory fees. Costs in the second half year have been broadly in line with last year.

Capital expenditure and disposals

Capital expenditure was £129.8 million in 2012 (2011: £111.5 million), including the construction of 25 new-build sites and the development of a further 150 Retail Agreements. We expect capital expenditure to be between £115 million and £125 million in 2013.

During the year we generated £48 million of cash including £20 million from a sale and leaseback transaction, and £28 million from the sale of pubs from both the managed and tenanted estate.

Financing

The Group has a £257.5 million bank facility to May 2016, and the amount drawn down at 29 September 2012 was £175 million. This facility, together with a long term securitisation of approximately £1 billion, provides us with an appropriate level of financing headroom for the medium term, with a structure that continues to provide operational flexibility. 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.

During the year the Group entered into a new swap arrangement to 2020, which effectively replaces the £140 million swap arrangement that was due to expire in October 2014. This new arrangement fixes interest on £120 million until 2020. The reduced interest costs resulting from the new arrangement will mitigate the impact of the increase in securitisation interest for the financial years 2013 and 2014.

Subject to market conditions, it is our intention to diversify our sources of financing over the medium and long term.

Net debt of £1,121 million at 29 September 2012 is an increase of £20 million compared to £1,101 million at 1 October 2011. The modest increase in net debt is a consequence of the previously highlighted increase in capital expenditure. Operating cashflow of £168 million remains resilient.

For the period ended 29 September 2012 the ratio of net debt to EBITDA before exceptional items remained stable at 5.6 times (2011: 5.6 times). It remains our intention to reduce this ratio to around 5.0 times, principally through EBITDA growth generated from our new-build investment programme.

Interest cover of 2.3 times has improved versus last year (2011: 2.1 times).

Pensions

Our final salary pension scheme at the year end showed a deficit of £24.5 million before tax (2011: £7.1 million surplus), principally due to a lower discount rate.

During the year we concluded the triennial valuation to 30 September 2011. The review concluded that the cash deficit position has improved by around £30 million to £75 million. As a consequence of the review we have agreed to maintain the existing top-up contribution plan. Contributions to the scheme were broadly similar to last year with a top-up contribution of around £11 million. The top-up contribution increases at 5.75% annually.

Taxation

The underlying rate of taxation (before exceptional items) of 20.4% in 2012 is below the standard rate of corporation tax of 25% primarily due to a deferred tax credit on the increase in the tax base cost of properties, and a corporation tax credit on the recognition of a benefit relating to prior year tax issues.

The underlying tax rate has decreased by 0.5% from 20.9% in 2011.

Exceptional items

There are net exceptional charges of £180.2 million after tax. This reflects the impairment of freehold and leasehold properties of £215.1 million, together with a £2.8 million write-off of unamortised finance costs relating to the Group's previous bank facility, a net £4.6 million charge relating to the Group's new swap arrangements and a £3.7 million charge which recognises interest charges arising from outstanding tax liabilities relating to unresolved tax issues. This has been offset by a £2.9 million net gain in respect of the mark-to-market movement in the fair value of certain interest rate swaps. There is an exceptional tax credit of £43.1 million of which £41.0 million relates to the items described above and £2.1 million relates to deferred tax in respect of the change in the rate of corporation tax.

GROUP INCOME STATEMENT

For the 52 weeks ended 29 September 2012

	2012			2011		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	**719.7**	**-**	**719.7**	682.2	-	682.2
Operating expenses*	**(561.8)**	**(215.1)**	**(776.9)**	(527.9)	(2.7)	(530.6)
Operating profit/(loss)	**157.9**	**(215.1)**	**(57.2)**	154.3	(2.7)	151.6
Finance costs	**(70.8)**	**(26.2)**	**(97.0)**	(76.1)	-	(76.1)
Finance income	**0.7**	**15.1**	**15.8**	2.2	-	2.2
Movement in fair value of interest rate swaps	**-**	**2.9**	**2.9**	-	3.1	3.1
Net finance costs	**(70.1)**	**(8.2)**	**(78.3)**	(73.9)	3.1	(70.8)
Profit/(loss) before taxation	**87.8**	**(223.3)**	**(135.5)**	80.4	0.4	80.8
Taxation	**(17.9)**	**43.1**	**25.2**	(16.8)	4.8	(12.0)
Profit/(loss) for the period attributable to equity shareholders	**69.9**	**(180.2)**	**(110.3)**	63.6	5.2	68.8

(Loss)/earnings per share:

	2012	2011
Basic (loss)/earnings per share	**(19.4)p**	12.1p
Basic earnings per share before exceptional items	**12.3p**	11.2p
Diluted (loss)/earnings per share	**(19.4)p**	12.0p
Diluted earnings per share before exceptional items	**12.2p**	11.1p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 29 September 2012

	2012 £m	2011 £m
(Loss)/profit for the period	**(110.3)**	68.8
Losses arising on cash flow hedges	**(54.7)**	(47.4)
Transfers to the income statement on cash flow hedges	**21.5**	21.1
Actuarial (losses)/gains on retirement benefits	**(45.2)**	17.0
Unrealised surplus on revaluation of properties*	**329.9**	-
Reversal of past revaluation surplus*	**(136.9)**	(0.2)
Tax (expense)/income relating to components of other comprehensive income	**(26.9)**	10.4
Other comprehensive income for the period	**87.7**	0.9
Total comprehensive (expense)/income for the period	**(22.6)**	69.7

* During the current period a revaluation of the Group's freehold and leasehold properties was undertaken, resulting in a net decrease in property values of £21.6 million. An unrealised surplus on revaluation of £329.9 million, and a reversal of past revaluation surplus of £136.9 million, have been recognised in the revaluation reserve, and a net charge of £214.6 million has been recognised in the income statement.

GROUP CASH FLOW STATEMENT

For the 52 weeks ended 29 September 2012

	2012	2011
	£m	£m
Operating activities		
Operating profit before exceptional items	**157.9**	154.3
Depreciation and amortisation	**40.7**	41.5
EBITDA before exceptional items	**198.6**	195.8
Exceptional operating items	**(215.1)**	(2.7)
EBITDA after exceptional items	**(16.5)**	193.1
Working capital and non-cash movements	**210.1**	12.9
Difference between defined benefit pension contributions paid and amounts charged	**(12.9)**	(13.0)
Income tax paid	**(12.3)**	(10.6)
Net cash inflow from operating activities	**168.4**	182.4
Investing activities		
Interest received	**0.6**	0.4
Sale of property, plant and equipment and assets held for sale	**48.3**	13.3
Purchase of property, plant and equipment and intangible assets	**(129.8)**	(111.5)
Sale of subsidiary and associated business	**-**	1.9
Movement in other non-current assets	**2.8**	2.1
Net cash outflow from investing activities	**(78.1)**	(93.8)
Financing activities		
Equity dividends paid	**(33.5)**	(33.0)
Interest paid	**(73.3)**	(70.3)
Arrangement costs of new bank facilities	**(3.5)**	-
Proceeds of ordinary share capital issued	**0.2**	0.1
Repayment of securitised debt	**(21.4)**	(20.3)
Repayment of bank loans	**(126.0)**	-
Advance of bank loans	**175.0**	29.0
Repayment of loan notes	**-**	(0.6)
Net cash outflow from financing activities	**(82.5)**	(95.1)
Net increase/(decrease) in cash and cash equivalents	**7.8**	(6.5)

GROUP BALANCE SHEET

As at 29 September 2012

	29 September 2012 £m	1 October 2011 £m
ASSETS		
Non-current assets		
Goodwill	**224.2**	224.2
Other intangible assets	**23.5**	24.6
Property, plant and equipment	**1,995.6**	1,989.4
Deferred tax assets	**71.4**	63.3
Retirement benefit surplus	**-**	7.1
Other non-current assets	**14.3**	17.1
	2,329.0	2,325.7
Current assets		
Inventories	**22.2**	18.8
Trade and other receivables	**62.5**	74.5
Derivative financial instruments	**13.7**	-
Cash and cash equivalents	**60.8**	76.6
	159.2	169.9
Assets held for sale	**39.2**	6.5
LIABILITIES		
Current liabilities		
Borrowings	**(21.3)**	(41.1)
Derivative financial instruments	**(14.1)**	(17.6)
Trade and other payables	**(156.9)**	(143.9)
Current tax liabilities	**(23.4)**	(25.8)
	(215.7)	(228.4)
Non-current liabilities		
Borrowings	**(1,160.6)**	(1,136.3)
Derivative financial instruments	**(187.3)**	(135.2)
Retirement benefit obligations	**(24.5)**	-
Deferred tax liabilities	**(159.0)**	(159.3)
Other non-current liabilities	**(0.6)**	(0.4)
Provisions for other liabilities and charges	**(17.7)**	(24.9)
	(1,549.7)	(1,456.1)
Net assets	**762.0**	817.6
Shareholders' equity		
Equity share capital	**44.3**	44.3
Share premium account	**332.8**	332.6
Merger reserve	**-**	41.5
Revaluation reserve	**560.4**	411.4
Capital redemption reserve	**6.8**	6.8
Hedging reserve	**(129.6)**	(101.4)
Own shares	**(130.9)**	(130.9)
Retained earnings	**78.2**	213.3
Total equity	**762.0**	817.6

GROUP STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 29 September 2012

	Equity share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 2 October 2011	44.3	332.6	41.5	411.4	6.8	(101.4)	(130.9)	213.3	817.6
Loss for the period	-	-	-	-	-	-	-	(110.3)	(110.3)
Actuarial losses	-	-	-	-	-	-	-	(45.0)	(45.0)
Tax on actuarial losses	-	-	-	-	-	-	-	10.7	10.7
Post-retirement medical benefits	-	-	-	-	-	-	-	(0.2)	(0.2)
Losses on cash flow hedges	-	-	-	-	-	(54.7)	-	-	(54.7)
Transfers to the income statement on cash flow hedges	-	-	-	-	-	21.5	-	-	21.5
Tax on hedging reserve movements	-	-	-	-	-	5.0	-	-	5.0
Property revaluation	-	-	-	329.9	-	-	-	-	329.9
Property impairment	-	-	-	(136.9)	-	-	-	-	(136.9)
Deferred tax on properties	-	-	-	(42.6)	-	-	-	-	(42.6)
Total comprehensive income/(expense)	-	-	-	150.4	-	(28.2)	-	(144.8)	(22.6)
Share-based payments	-	-	-	-	-	-	-	0.2	0.2
Tax on share-based payments	-	-	-	-	-	-	-	0.1	0.1
Issue of shares	-	0.2	-	-	-	-	-	-	0.2
Disposal of properties	-	-	-	(1.1)	-	-	-	1.1	-
Transfer to retained earnings	-	-	(41.5)	(0.3)	-	-	-	41.8	-
Dividends paid	-	-	-	-	-	-	-	(33.5)	(33.5)
Total transactions with owners	-	0.2	(41.5)	(1.4)	-	-	-	9.7	(33.0)
At 29 September 2012	44.3	332.8	-	560.4	6.8	(129.6)	(130.9)	78.2	762.0

	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 equity £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

NOTES

1 Accounting policies

Basis of preparation
The financial information for the 52 weeks ended 29 September 2012 (2011: 52 weeks ended 1 October 2011) 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

	29 September 2012					
	Managed Pubs £m	**Tenanted and Franchised £m**	**Brewing £m**	**Group Services £m**	**Unallocated £m**	**Total £m**
Revenue	**405.5**	**200.5**	**113.7**	**-**	**-**	**719.7**
Operating profit/(loss) before exceptional items	**74.2**	**81.8**	**16.4**	**(14.5)**	**-**	**157.9**
Exceptional items	**(54.7)**	**(155.7)**	**(3.7)**	**(1.0)**	**-**	**(215.1)**
Operating profit/(loss)	**19.5**	**(73.9)**	**12.7**	**(15.5)**	**-**	**(57.2)**
Net assets	**1,113.0**	**932.8**	**144.4**	**16.1**	**(1,444.3)**	**762.0**

	1 October 2011					
	Managed Pubs £m	**Tenanted and Franchised £m**	**Brewing £m**	**Group Services £m**	**Unallocated £m**	**Total £m**
Revenue	391.8	183.9	106.5	-	-	682.2
Operating profit/(loss) 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/(loss)	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

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

3 Exceptional items

	2012 £m	2011 £m
Operating items		
Reorganisation costs	**-**	2.7
Impairment of freehold and leasehold properties	**215.1**	-
	215.1	2.7
Non-operating items		
Write-off of unamortised finance costs	**2.8**	-
Interest on outstanding tax liabilities	**3.7**	-
Transfer of cumulative hedging loss from equity to the income statement	**0.8**	-
Gain on recognition of interest rate swaps	**(15.1)**	-
Loss on recognition of interest rate swaps	**18.9**	-
Movement in fair value of interest rate swaps	**(2.9)**	(3.1)
	8.2	(3.1)
	223.3	(0.4)

Impairment of freehold and leasehold properties
At 1 July 2012 the Group's freehold and leasehold properties were revalued by independent chartered surveyors on an open market value basis. The resulting revaluation adjustments have been taken to the revaluation reserve or income statement as appropriate. The amount recognised in the income statement comprises:

	2012 £m
Impairment of other intangible assets	**0.8**
Impairment of property, plant and equipment	**214.5**
Reversal of impairment of property, plant and equipment	**(1.9)**
Impairment of assets held for sale	**1.2**
Valuation fees	**0.5**
	215.1

Write-off of unamortised finance costs
During the period the Group entered into a new bank facility. As such the unamortised finance costs relating to the previous facility have been written off.

Interest on outstanding tax liabilities
During the period the Group recognised the interest on outstanding tax liabilities in respect of a number of tax issues currently under negotiation with HM Revenue & Customs.

Transfer of cumulative hedging loss from equity to the income statement
The Group holds an interest rate swap of £20.0 million which was designated as a cash flow hedge of the forecast floating rate interest payments arising on the first £20.0 million of borrowings under the Group's previous bank facility. As the Group has now entered into a new bank facility these forecast transactions are no longer expected to occur. Therefore the cumulative hedging loss of £0.8 million that was reported in equity has been transferred to the income statement.

Recognition of interest rate swaps
On 22 March 2012 the Group entered into four new fixed to floating interest rate swaps of £35.0 million each. In total, these swaps are equal and opposite to the two existing floating to fixed interest rate swaps of £70.0 million each, which the Group entered into in order to fix the interest rate payable on the Group's unsecured bank borrowings. The total fair value of the four new swaps at inception was £15.1 million.

On 22 March 2012 the Group also entered into two new floating to fixed interest rate swaps of £60.0 million each. Going forward these swaps will fix the interest rate on the Group's unsecured bank borrowings. In total, the fair value of these two new swaps at inception was £(18.9) million.

Movement in fair value of interest rate swaps
The Group's interest rate swaps are revalued to fair value at each balance sheet date. The movement in fair value of interest rate swaps which are not designated as part of a hedge relationship, and the ineffective portion of the movement in fair value of interest rate swaps which are accounted for as hedging instruments are both recognised in the income statement. The net gain of £2.9 million (2011: £3.1 million) is shown as an exceptional item.

Impact of taxation
The current tax credit relating to the above exceptional items amounts to £3.0 million (2011: £0.7 million). The deferred tax credit relating to the above exceptional items amounts to £38.0 million (2011: charge of £0.9 million). In addition, £2.1 million (2011: £5.0 million) has been credited as exceptional in relation to the change in corporation tax rate.

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

4 Taxation

Income statement	**2012** **£m**	2011 £m
Current tax		
Current period	**18.2**	15.4
Credit in respect of tax on exceptional items	**(3.0)**	(0.7)
Adjustments in respect of prior periods	**(1.9)**	(3.3)
	13.3	11.4
Deferred tax		
Current period	**2.1**	1.0
Adjustments in respect of prior periods	**(0.5)**	3.7
Exceptional charge in respect of interest rate swaps	**0.8**	0.9
Exceptional credit in relation to impairments	**(38.8)**	-
Exceptional credit in relation to the change in tax rate	**(2.1)**	(5.0)
	(38.5)	0.6
Taxation (credit)/charge reported in the income statement	**(25.2)**	12.0

5 Ordinary dividends on equity shares

Paid in the period	**2012** **£m**	2011 £m
Final dividend for 2011 of 3.70p per share (2010: 3.70p)	**21.0**	21.0
Interim dividend for 2012 of 2.20p per share (2011: 2.10p)	**12.5**	12.0
	33.5	33.0

A final dividend for 2012 of 3.90p per share amounting to £22.2 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 28 January 2013 to those shareholders on the register at close of business on 14 December 2012.

6 Earnings per ordinary share

Basic earnings per share are calculated by dividing the (loss)/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.

	2012		2011	
	Earnings	**Per share amount**	Earnings	Per share amount
	£m	**p**	£m	p
Basic (loss)/earnings per share	**(110.3)**	**(19.4)**	68.8	12.1
Diluted (loss)/earnings per share*	**(110.3)**	**(19.4)**	68.8	12.0
Underlying earnings per share figures				
Basic earnings per share before exceptional items	**69.9**	**12.3**	63.6	11.2
Diluted earnings per share before exceptional items	**69.9**	**12.2**	63.6	11.1

* The 2012 diluted earnings per share is the same as the basic earnings per share as the inclusion of the dilutive potential ordinary shares would reduce the loss per share and as such is not dilutive in accordance with IAS 33 'Earnings per Share'.

	2012	2011
	m	m
Basic weighted average number of shares	**568.9**	568.9
Dilutive options	**4.6**	3.1
Diluted weighted average number of shares	**573.5**	572.0

7 Net debt

Analysis of net debt	**2012** **£m**	Cash flow £m	Non-cash movements and deferred issue costs £m	2011 £m
Cash and cash equivalents				
Cash at bank and in hand	**60.8**	(15.8)	-	76.6
Bank overdrafts	**-**	23.6	-	(23.6)
	60.8	7.8	-	53.0
Debt due within one year				
Bank loans	**0.8**	-	(0.7)	1.5
Securitised debt	**(22.1)**	21.4	(24.5)	(19.0)
	(21.3)	21.4	(25.2)	(17.5)
Debt due after one year				
Bank loans	**(172.9)**	(49.0)	0.8	(124.7)
Securitised debt	**(987.6)**	-	23.9	(1,011.5)
Preference shares	**(0.1)**	-	-	(0.1)
	(1,160.6)	(49.0)	24.7	(1,136.3)
Net debt	**(1,121.1)**	(19.8)	(0.5)	(1,100.8)

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

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

Included within cash at bank and in hand is an amount of £3.7 million (2011: £4.3 million), which relates to a letter of credit with Royal Sun Alliance Insurance, an amount of £0.5 million (2011: £nil), which relates to a letter of credit with Aviva, and an amount of £8.5 million (2011: £8.9 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.

Reconciliation of net cash flow to movement in net debt	**2012** **£m**	2011 £m
Increase/(decrease) in cash and cash equivalents in the period	**7.8**	(6.5)
Cash inflow from movement in debt	**(27.6)**	(8.1)
Change in debt resulting from cash flows	**(19.8)**	(14.6)
Non-cash movements and deferred issue costs	**(0.5)**	(4.0)
Movement in net debt in the period	**(20.3)**	(18.6)
Net debt at beginning of the period	**(1,100.8)**	(1,082.2)
Net debt at end of the period	**(1,121.1)**	(1,100.8)

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 29 September 2012, which will be filed with the Registrar of Companies in due course. The statutory accounts for the 52 weeks ended 1 October 2011 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 29 September 2012 will be posted to shareholders on 18 December 2012. 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.