



16 May 2013

## MARSTON'S PLC

### INTERIM RESULTS FOR THE 26 WEEKS ENDED 30 MARCH 2013

## Increased interim dividend reflects full year confidence

### FINANCIAL HIGHLIGHTS

- **Group revenue** - £358.1 million (2012: £342.1 million).
- **Underlying operating profit** - £66.6 million (2012: £67.6 million).
- **Underlying PBT** - £27.6 million (2012: £33.5 million), reflecting higher finance costs.
- **Underlying earnings per share** - 3.8 pence per share (2012: 4.7 pence per share).
- **Innovative £101 million long-term financing** - extends maturity of Group debt.
- **Interim dividend** - up 4.5% to 2.3 pence per share (2012: 2.2 pence per share).
- **Current trading** – good start to H2, which will benefit from £12 million profit initiatives.

### STRATEGY AND OPERATING HIGHLIGHTS

- **Destination and Premium**
  - Operating profit up 10%
  - Like-for-like food sales up 2%, food mix up 2% to 52%
  - Expect at least 20 new-builds to complete this financial year
  - 2013 new-builds ahead of internal target
- **Taverns**
  - Pressures on tenanted pubs continue
  - 600 pubs now franchised
  - Franchise like-for-like profits up 10%
- **Brewing**
  - Ale volumes up 8%, strong growth in off-trade
- **Chairman**
  - Roger Devlin appointed with effect from 1 September 2013

### CURRENT TRADING – 6 WEEKS TO 11 MAY

- **Destination and Premium** - lfl sales up 6%: lfl food sales up 9%, lfl wet sales up 3%.
- **Taverns and Leased** – lfl profits ahead of last year.
- **Brewing** – in line with expectations.

### Commenting, Ralph Findlay, Chief Executive, said:

“Although the first half of this year has been significantly impacted by the poor weather in January and March, our focus on quality and good service at reasonable prices is what consumers are looking for. This underpins our clearly defined and proved strategy as we continue to drive growth through building new pub-restaurants, developing franchises, and benefiting from market trends in brewing. Trading in the second half year has started well, and we remain confident of achieving our full-year targets.”

## **ENQUIRIES:**

### **Marston's PLC**

Ralph Findlay, Chief Executive Officer  
Andrew Andrea, Chief Financial Officer  
Tel: 020 7796 4133 on 16 May 2013 only  
01902 329516 thereafter

### **Hudson Sandler**

Andrew Hayes/Kate Hoare/  
George Parker  
Tel: 020 7796 4133

## **NOTES TO EDITORS**

- Marston's is a leading pub operator and independent brewer.
- It has an estate of around 2,130 pubs situated nationally, comprising managed, franchised and leased pubs.
- It is the UK's leading brewer of premium cask and bottled ales, including Marston's Pedigree and Hobgoblin. The beer portfolio also includes Banks's, Jennings, Wychwood, Ringwood, Brakspear and Mansfield beers.
- Marston's employs around 13,000 people.
- The underlying results reflect the performance of the Group before exceptional items. The Directors consider that these figures provide a useful indication of the underlying performance of the Group.

## **GROUP OVERVIEW**

We expect to continue to make progress against our strategic objectives this year despite the effect of the weather on our first half results, with our development plans and management initiatives providing good trading momentum.

Revenue was 5% higher than last year, with strong growth in Destination and Premium pubs and in Brewing. As anticipated, Group underlying operating margin was 1.2% below last year due to the planned increase in the number of pubs operating under our innovative franchise formats, and very strong growth in the off-trade.

Underlying operating profit decreased by 1% to £66.6 million with the additional profits from the new-build programme offset by weather-affected trading across the pub estate in the second quarter. Underlying profit before tax was £27.6 million (2012: £33.5 million), which reflects the interest cost increase of £4.9 million, arising from the contractual step-up in the securitised interest charge, and the one-off benefit in the previous year of the new swap arrangements.

Underlying basic earnings per share were 3.8 pence per share (2012: 4.7 pence per share).

During the period, we transferred all of our pubs into one trading division with annual cost savings expected to be around £3 million a year. Exceptional items (£2.8 million after taxation) including reorganisation costs in respect of this restructuring, have been incurred in the period.

Net debt at the period end was £1,194 million (2012: £1,124 million), which includes £101 million of the new and innovative long-term lease financing structures put in place during the period. A further £7 million has been received in respect of these arrangements since the period end.

### **Current trading, outlook and dividend**

The second half year has started well, with like-for-like sales growth in Destination and Premium pubs of 6% for the 6 weeks to 11 May, bringing year-to-date like-for-like sales 1% ahead of last year. Like-for-like profits in Taverns and Leased pubs were ahead of last year, and ale volumes in Brewing were in line with expectations.

The second half year will benefit from an embedded £12 million of profit growth. We will see the benefit of higher profits to the phasing of 2012 openings; 9 openings in the first half of this year; and at least a further 11 planned in the second half. In addition, we will also benefit from cost savings following the reorganisation of our business described above.

As a consequence we expect to trade in line with our expectations for the year as a whole, and are pleased to declare an increase in the interim dividend to 2.3 pence per share, which represents a 4.5% increase versus last year.

### **Board and senior management**

We are delighted to announce the appointment of Roger Devlin as Chairman with effect from 1<sup>st</sup> September 2013, when David Thompson steps down. Roger is currently Chairman of Gamesys (one of Europe's largest internet gaming businesses), SIS (the sports media group) and Porthaven Nursing Homes. In 2012 he was appointed the first Independent NED by the Football Association. He was also Chairman of the Principal Hayley Group until its sale in 2013, and until 2011 served as a Non-Executive Director of National Express and RPS Group.

Stephen Oliver, Managing Director of Marston's Beer Company, will retire from Marston's in September 2013 after 18 years' service with the business: we thank him for his contribution, and wish him well in the development of his future career. Richard Westwood, currently Director of Supply Chain and Commercial Operations, will succeed Stephen. Richard has extensive experience with Marston's in brewing, supply chain management and commercial operations.

## **Strategy**

Our strategic objectives remain sustainable growth, reduced leverage, and higher returns. The key elements of our plans to make further progress against these objectives are described below.

**Operating flexibility.** All of our pubs are now operated within one division, whether they are managed, franchised or leased. This model maximises our flexibility to operate each pub under the most appropriate business model.

We have segmented our pubs into three categories: Destination and Premium; Taverns; and Leased. These segments are described in detail below. We believe that this segmentation provides a better understanding of the performance of our pubs from a consumer and market perspective, and will serve to highlight the impact of our investment capital, which is targeted to food-led destination and premium pubs.

**Development of the Franchise Agreement.** Our Taverns estate comprises 1,398 pubs operating under managed, franchised and tenanted models. Our innovative Franchise Agreement, introduced in 2009, is now operated in around 600 pubs and has been a key component of our ability to attract good operators and build sustainable businesses. As a consequence of the success of the model, we expect that most tenanted pubs within Taverns and our community managed pubs will convert to franchises over time. The pubs already converted to franchise achieved 10% like-for-like profit growth in the period.

**New-build development.** We are on target to open at least 20 new-build pub-restaurants throughout the UK this financial year, with nine pubs opened in the period including our first in Scotland (Dunbar). The performance of the new openings is strong with revenue ahead of our £26,000 per week target and returns continuing to exceed the target of 16.5%. It remains our intention to open 20 to 25 sites per annum for the foreseeable future.

**Consumer focus.** Our organic development is underpinned by the 'F-Plan' – a focus on food, families, females and forty/fifty somethings – which recognises longer-term growth trends in the market. In the first half year we continued to make progress against our 'F-Plan' key performance indicators, with food sales mix increasing to 52% in Destination and Premium pubs and to 25% in Taverns.

**High quality leased estate with engaged business partners.** We operate 391 pubs under long-term leases, which benefit from a bespoke consumer offer and independent entrepreneurs. It is a high quality estate, with average profits in excess of £80,000 per pub, and rents of around £40,000 per annum. The turnover of licensees in these pubs is very low, with a stability rate of 91% in the period.

**Brewing - 'Localness' and premium ale strategy.** Our strategy continues to focus on the growth areas of the market, namely the increasing demand for locally brewed cask ales and the growth of premium bottled ale in the off-trade. We remain market leaders in both the premium cask ale and bottled ale segments of the market. We are investing £7 million in a bottling line to exploit the growth in the bottled beer market through the sale of our own beer and the expansion of our contract bottling business.

**Financing.** During the period we entered into three innovative long-term lease financing structures totaling £101 million as at 30 March 2013, under which the freehold reverts to Marston's at the end of the lease term. These agreements offer considerable flexibility at an attractive cost of finance, reduce our reliance on bank facilities, and extend the maturity of our debt without compromising our preference for freehold ownership of our estate. We have received a further £7 million in respect of these arrangements since the period end. Market conditions permitting, we expect to undertake further similar transactions in the future.

## **BUSINESS REVIEW**

Following the operational restructuring, details of the new segmentation of our pubs into Destination and Premium, Taverns and Leased are as follows:

### **Destination and Premium**

Destination comprises pubs where the food sales mix is high and the primary reason for a consumer visit is to dine. The majority of Destination pubs operate under the "Two for One" or "Milestone" format. Premium comprises pubs operating as Pitcher & Piano or Revere.

Destination and Premium currently comprises 301 Destination pub-restaurants, including all of the new-build investments, and 38 pubs operating as either Pitcher & Piano or Revere pubs.

Total revenue increased by 8.3% to £154.7 million reflecting the continued good performance of the new-build pub-restaurants. Underlying operating profit of £24.2 million was up 9.5% (2012: £22.1 million).

Total like-for-like sales were level with last year, with like-for-like food sales up by 2% and like-for-like wet sales 2% lower. This performance has been achieved through offering our customers value for money and delivering high service standards in a consistent manner. Food sales have increased further and now account for 52% of total sales.

In Destination pubs our focus is on offering consumers excellent service in high quality pubs. Our growth in the period has been achieved through increased customer numbers rather than higher prices with the number of main meals served up 7% in the period. In addition, food spend per head has increased by 3% principally through higher sales of starters, desserts and coffees. Service standards and customer satisfaction continue to improve and we have seen steady increases in our Empathica customer feedback scores during the period.

In Premium pubs, we have extended the trial of Revere pubs to four sites with a further six sites identified for conversion. At this early stage, initial trading has been encouraging.

We achieved a 0.1% improvement in operating margin. We expect cost inflation to be manageable for the remainder of 2013 with the majority of costs now fixed.

Capital investment for the period was £57 million, of which £40 million was on new-build sites.

## **Taverns**

Taverns comprises our well-situated high quality community pubs, operated through managed, franchised and tenanted business models. In these pubs, the drinks sales mix is high although food sales are increasing in importance. From a consumer perspective, success is achieved through a combination of great licensees, offers, entertainment and amenities appropriate for local consumers. Taverns currently comprises 156 community managed pubs and 1,242 tenanted and franchised pubs, including 379 pubs identified for disposal.

Total revenue remained broadly level at £117.2 million reflecting the solid performance of franchised pubs offset by weaker sales in managed and tenanted pubs. Underlying operating profit was down 7.2% to £29.8 million due to the weather-affected performance of the managed and tenanted pubs.

Operating margin fell by 1.9% due to the increased mix of franchised pubs that earn higher absolute profits but at a lower margin percentage than the traditional tenanted model.

The benefits of the franchise model to Marston's are clear: pub revenue and profits have improved, licensee stability is high and the agreement is attractive to licensees from outside the industry. Our intention is to increase the number of pubs operating under franchise agreements over time, initially through converting tenanted pubs and then a number of managed pubs.

Capital investment for the period was £13 million.

## **Leased**

The leased model, with longer-term assignable agreements, is designed to attract skilled entrepreneurs who seek to build value through developing bespoke businesses. The leased model is well suited to high quality distinctive pubs which benefit from a higher degree of independence and committed licensees. We currently operate 391 pubs under this model.

Total revenue decreased to £26.3 million (2012: £28.1 million) driven by the poor weather in the second quarter and, as a consequence, underlying operating profit was down 5.8% to £13.1 million. Operating margins were up 0.3% in the period to 49.8%.

Our key focus in leased pubs is to improve further our engagement with our lessees, and to be value-adding partners to skilled entrepreneurs. Our lessees have access to much of the Marston's Group buying power and our pub commercial team continues to provide marketing and retail support to help our lessees improve their businesses further. As a consequence licensee stability remains high at 91%.

Capital investment for the period was £2 million.

## **Brewing**

Total revenue increased by 11.8% to £59.9 million, reflecting a strong performance in the off-trade. Underlying operating profit was level with last year at £7.5 million.

Overall ale volumes were up 8% on last year, with bottled ale volumes up 21% and premium cask ale volumes up 8%. We have grown our share in both the premium cask ale and bottled ale categories. Around 77% of our own-brewed beers are sold to third parties, up 2% on last year.

After strong growth in 2011 and 2012 we have consolidated our position as the market leader in premium bottled ale. Volumes grew in take home with bottled ale up 16% and take home volumes now accounting for 49% of total ale volumes. We have achieved strong premium ale performance across the brand range, with volumes of our largest off-trade brand, Hobgoblin, up 4%.

Consumers continue to demand beers with genuine local provenance and regional beers. The success of our localness strategy is best demonstrated by our performance in the independent free trade, where we now sell to around 3,500 customers, achieving premium cask ale volume growth of 5%.

Operating margin was down 1.5% to 12.5% as a consequence of the higher mix of sales to the off-trade, which command a lower margin percentage. As anticipated we have seen some inflationary pressure this year, which have been mitigated through a combination of price increases and the introduction of further supply chain efficiencies.

## FINANCIAL REVIEW

### Results for the 26 weeks to 30 March 2013

	Revenue		Underlying operating profit (see note 2)		Margin	
	2013 £m	2012 £m	2013 £m	2012 £m	2013 %	2012 %
Destination and Premium	154.7	142.9	24.2	22.1	15.6	15.5
Taverns	117.2	117.5	29.8	32.1	25.4	27.3
Leased	26.3	28.1	13.1	13.9	49.8	49.5
Brewing	59.9	53.6	7.5	7.5	12.5	14.0
Group Services	-	-	(8.0)	(8.0)	(2.2)	(2.3)
<b>Group</b>	<b>358.1</b>	<b>342.1</b>	<b>66.6</b>	<b>67.6</b>	<b>18.6</b>	<b>19.8</b>

Group revenue was 4.7% up on last year, with improving trends in Destination and Premium pubs and Brewing. Group operating margin was 1.2% below last year driven by the increased mix of profits from our franchised business and a higher mix of sales to the off-trade in Brewing. Margins improved slightly in Destination and Premium pubs.

Underlying operating profit was £66.6 million and underlying earnings per share were 3.8 pence per share (2012: 4.7 pence per share).

Operating profit after exceptional items was £62.7 million and basic earnings per share after exceptional items were 3.4 pence per share (2012: 4.1 pence per share).

### Capital expenditure

Capital expenditure for the first half year was £78.7 million (2012: £59.4 million), reflecting continued investment in the new-build pub development programme and in the Franchise Agreement. The timing of capital expenditure has been weighted towards the first half year and as previously disclosed, we expect capital expenditure to be around £120 million for the year as a whole (2012: £129.8 million).

## **Disposals**

Proceeds of around £18 million have been received from the disposal of 31 pubs and similar properties.

## **Financing**

The Group has a long-term securitisation of approximately £1 billion and a £257.5 million bank facility to May 2016, the net position of which at 30 March 2013 was £139 million.

During the period, the Group entered into three new lease financing arrangements which have a total value of £101.4 million as at 30 March 2013. This financing is a form of sale and leaseback agreement whereby the freehold reverts to the Group at the end of the term, consistent with our preference for predominantly freehold asset tenure. The agreements range from 35 to 40 years and provide the Group with an extended debt maturity profile at attractive rates of interest. Unlike a traditional sale and leaseback, the associated liability is recognised as debt on the balance sheet due to the reversion of the freehold.

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

Net debt of £1,194 million at 30 March 2013 is higher than last year primarily due to the phasing of capital expenditure as described above.

Interest charges increased to £39.0 million due to the one-off benefit of the swap arrangements in the corresponding period last year and the step-up in securitised interest. It should be noted that, in financial year 2015, the securitised interest will reduce from the current levels by around £3 million.

## **Pensions**

The deficit on our final salary pension scheme is £22.8 million which is a small improvement on the position at the year end.

## **Taxation**

The underlying rate of taxation (before exceptional items) has increased slightly to 20.7% in 2013 from 20.0% in 2012. This is below the standard rate of corporation tax primarily due to credits in respect of deferred tax on property.

## **Exceptional items**

There are net exceptional charges of £2.8 million after tax. This reflects reorganisation costs of £3.9 million in the period relating to the restructuring of our operations across the Group. The reorganisation is expected to generate at least £3 million of annual underlying cost savings. This has been offset by a £0.2 million 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 £0.9 million, which relates to the items described above.



# **Independent review report to Marston's PLC**

## **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the interim financial information for the 26 weeks ended 30 March 2013, which comprises the Group Income Statement, the Group Statement of Comprehensive Income, the Group Cash Flow Statement, the Group Balance Sheet, the Group Statement of Changes in Equity and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## **Directors' responsibilities**

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this Interim Report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

## **Our responsibility**

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

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report for the 26 weeks ended 30 March 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP  
Chartered Accountants  
16 May 2013  
Birmingham

## **Responsibility Statement of the Directors in respect of the Interim Report**

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

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report.

The Directors of Marston's PLC are listed in the Marston's PLC Annual Report for 29 September 2012. A list of current Directors is maintained on the Marston's PLC website: [www.marstons.co.uk](http://www.marstons.co.uk).

By order of the Board:

Ralph Findlay  
Chief Executive Officer  
16 May 2013

Andrew Andrea  
Chief Financial Officer  
16 May 2013

## GROUP INCOME STATEMENT (UNAUDITED)

for the 26 weeks ended 30 March 2013

	Note	26 weeks to 30 March 2013			26 weeks to 31 March 2012			52 weeks to 29 September 2012
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m	Total £m
Revenue	2	358.1	-	358.1	342.1	-	342.1	719.7
Operating expenses*		(291.5)	(3.9)	(295.4)	(274.5)	-	(274.5)	(776.9)
<b>Operating profit/(loss)</b>	2, 3	<b>66.6</b>	<b>(3.9)</b>	<b>62.7</b>	67.6	-	67.6	(57.2)
Finance costs	4	(39.4)	-	(39.4)	(34.4)	(26.0)	(60.4)	(97.0)
Finance income	4	0.4	-	0.4	0.3	15.1	15.4	15.8
Movement in fair value of interest rate swaps	4	-	0.2	0.2	-	2.6	2.6	2.9
Net finance costs	3, 4	(39.0)	0.2	(38.8)	(34.1)	(8.3)	(42.4)	(78.3)
<b>Profit/(loss) before taxation</b>		<b>27.6</b>	<b>(3.7)</b>	<b>23.9</b>	33.5	(8.3)	25.2	(135.5)
Taxation	3, 5	(5.7)	0.9	(4.8)	(6.7)	4.6	(2.1)	25.2
<b>Profit/(loss) for the period attributable to equity shareholders</b>		<b>21.9</b>	<b>(2.8)</b>	<b>19.1</b>	26.8	(3.7)	23.1	(110.3)
<b>Earnings/(loss) per share:</b>								
Basic earnings/(loss) per share	6			<b>3.4p</b>			4.1p	(19.4)p
Basic earnings per share before exceptional items	6			<b>3.8p</b>			4.7p	12.3p
Diluted earnings/(loss) per share	6			<b>3.3p</b>			4.0p	(19.4)p
Diluted earnings per share before exceptional items	6			<b>3.8p</b>			4.7p	12.2p

## GROUP STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the 26 weeks ended 30 March 2013

	26 weeks to 30 March 2013 £m	26 weeks to 31 March 2012 £m	52 weeks to 29 September 2012 £m
Profit/(loss) for the period	19.1	23.1	(110.3)
<b>Items of other comprehensive income that may subsequently be reclassified to profit or loss</b>			
Losses arising on cash flow hedges	(8.9)	(12.2)	(54.7)
Transfers to the income statement on cash flow hedges	12.2	10.4	21.5
Tax on items that may subsequently be reclassified to profit or loss	(0.8)	(0.9)	5.0
	<b>2.5</b>	<b>(2.7)</b>	<b>(28.2)</b>
<b>Items of other comprehensive income that will not be reclassified to profit or loss</b>			
Actuarial losses on retirement benefits	(7.3)	(17.4)	(45.2)
Unrealised surplus on revaluation of properties*	1.1	-	329.9
Reversal of past revaluation surplus*	-	-	(136.9)
Tax on items that will not be reclassified to profit or loss	2.8	6.3	(31.9)
	<b>(3.4)</b>	<b>(11.1)</b>	<b>115.9</b>
Other comprehensive (expense)/income for the period	<b>(0.9)</b>	<b>(13.8)</b>	<b>87.7</b>
Total comprehensive income/(expense) for the period	<b>18.2</b>	<b>9.3</b>	<b>(22.6)</b>

\* During the 52 weeks to 29 September 2012 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, were recognised in the revaluation reserve, and a net charge of £214.6 million was recognised in the income statement.

## GROUP CASH FLOW STATEMENT (UNAUDITED)

for the 26 weeks ended 30 March 2013

	Note	26 weeks to 30 March 2013 £m	26 weeks to 31 March 2012 £m	52 weeks to 29 September 2012 £m
<b>Operating activities</b>				
Operating profit before exceptional items		66.6	67.6	157.9
Depreciation and amortisation		19.0	21.0	40.7
<b>EBITDA before exceptional items</b>				
Exceptional operating items	3	(3.9)	-	(215.1)
<b>EBITDA after exceptional items</b>				
Working capital and non-cash movements		(2.7)	(4.7)	210.1
Difference between defined benefit pension contributions paid and amounts charged		(8.7)	(7.4)	(12.9)
Income tax paid		(1.7)	(1.7)	(12.3)
<b>Net cash inflow from operating activities</b>				
		68.6	74.8	168.4
<b>Investing activities</b>				
Interest received		0.3	0.3	0.6
Sale of property, plant and equipment and assets held for sale		17.5	21.4	48.3
Purchase of property, plant and equipment and intangible assets		(78.7)	(59.4)	(129.8)
Movement in other non-current assets		0.7	1.4	2.8
<b>Net cash outflow from investing activities</b>				
		(60.2)	(36.3)	(78.1)
<b>Financing activities</b>				
Equity dividends paid		(22.2)	(21.0)	(33.5)
Interest paid		(37.5)	(37.3)	(73.3)
Arrangement costs of new bank facilities		-	(3.5)	(3.5)
Arrangement costs of other lease related borrowings		(6.3)	-	-
Proceeds of ordinary share capital issued		0.1	-	0.2
Repayment of securitised debt		(11.0)	(10.4)	(21.4)
Repayment of bank loans		-	(126.0)	(126.0)
Advance of bank loans		25.0	161.0	175.0
Capital element of finance leases repaid		(0.3)	-	-
Advance of other lease related borrowings		86.8	-	-
<b>Net cash inflow/(outflow) from financing activities</b>				
		34.6	(37.2)	(82.5)
<b>Net increase in cash and cash equivalents</b>				
	8	43.0	1.3	7.8

## GROUP BALANCE SHEET (UNAUDITED)

as at 30 March 2013

	Note	30 March 2013 £m	31 March 2012 £m	29 September 2012 £m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		224.2	224.2	224.2
Other intangible assets		23.1	24.6	23.5
Property, plant and equipment	7	2,029.9	2,027.4	1,995.6
Deferred tax assets		69.5	64.0	71.4
Other non-current assets		13.6	15.7	14.3
		<b>2,360.3</b>	<b>2,355.9</b>	<b>2,329.0</b>
<b>Current assets</b>				
Inventories		23.1	22.5	22.2
Trade and other receivables		63.8	60.3	62.5
Derivative financial instruments		10.5	15.1	13.7
Cash and cash equivalents	8	103.8	54.3	60.8
		<b>201.2</b>	<b>152.2</b>	<b>159.2</b>
		<b>2,561.5</b>	<b>2,508.1</b>	<b>2,488.2</b>
<b>Assets held for sale</b>				
		<b>72.7</b>	<b>5.2</b>	<b>39.2</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	8	(22.0)	(20.6)	(21.3)
Derivative financial instruments		(10.7)	(15.8)	(14.1)
Trade and other payables		(161.9)	(151.6)	(156.9)
Current tax liabilities		(24.6)	(26.5)	(23.4)
		<b>(219.2)</b>	<b>(214.5)</b>	<b>(215.7)</b>
<b>Non-current liabilities</b>				
Borrowings	8	(1,276.0)	(1,157.6)	(1,160.6)
Derivative financial instruments		(184.0)	(156.0)	(187.3)
Retirement benefit obligations		(22.8)	(2.6)	(24.5)
Deferred tax liabilities		(156.9)	(154.3)	(159.0)
Other non-current liabilities		(0.6)	(0.4)	(0.6)
Provisions for other liabilities and charges		(16.5)	(21.8)	(17.7)
		<b>(1,656.8)</b>	<b>(1,492.7)</b>	<b>(1,549.7)</b>
		<b>904.7</b>	<b>1,015.4</b>	<b>938.5</b>
<b>Net assets</b>				
		<b>758.2</b>	<b>806.1</b>	<b>762.0</b>
<b>Shareholders' equity</b>				
Equity share capital		44.3	44.3	44.3
Share premium account		332.9	332.6	332.8
Merger reserve		-	41.5	-
Revaluation reserve		561.8	415.1	560.4
Capital redemption reserve		6.8	6.8	6.8
Hedging reserve		(127.1)	(104.1)	(129.6)
Own shares		(130.9)	(130.9)	(130.9)
Retained earnings		70.4	200.8	78.2
		<b>758.2</b>	<b>806.1</b>	<b>762.0</b>

## GROUP STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the 26 weeks ended 30 March 2013

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 30 September 2012	44.3	332.8	560.4	6.8	(129.6)	(130.9)	78.2	762.0
Profit for the period	-	-	-	-	-	-	19.1	19.1
Actuarial losses	-	-	-	-	-	-	(7.3)	(7.3)
Tax on actuarial losses	-	-	-	-	-	-	1.7	1.7
Losses on cash flow hedges	-	-	-	-	(8.9)	-	-	(8.9)
Transfers to the income statement on cash flow hedges	-	-	-	-	12.2	-	-	12.2
Tax on hedging reserve movements	-	-	-	-	(0.8)	-	-	(0.8)
Property revaluation	-	-	1.1	-	-	-	-	1.1
Deferred tax on properties	-	-	1.1	-	-	-	-	1.1
<b>Total comprehensive income</b>	-	-	<b>2.2</b>	-	<b>2.5</b>	-	<b>13.5</b>	<b>18.2</b>
Share-based payments	-	-	-	-	-	-	0.1	0.1
Issue of shares	-	0.1	-	-	-	-	-	0.1
Disposal of properties	-	-	(0.8)	-	-	-	0.8	-
Dividends paid	-	-	-	-	-	-	(22.2)	(22.2)
<b>Total transactions with owners</b>	-	<b>0.1</b>	<b>(0.8)</b>	-	-	-	<b>(21.3)</b>	<b>(22.0)</b>
At 30 March 2013	44.3	332.9	561.8	6.8	(127.1)	(130.9)	70.4	758.2

for the 26 weeks ended 31 March 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
Profit for the period	-	-	-	-	-	-	-	23.1	23.1
Actuarial losses	-	-	-	-	-	-	-	(17.4)	(17.4)
Tax on actuarial losses	-	-	-	-	-	-	-	2.4	2.4
Losses on cash flow hedges	-	-	-	-	-	(12.2)	-	-	(12.2)
Transfers to the income statement on cash flow hedges	-	-	-	-	-	10.4	-	-	10.4
Tax on hedging reserve movements	-	-	-	-	-	(0.9)	-	-	(0.9)
Deferred tax on properties	-	-	-	3.9	-	-	-	-	3.9
<b>Total comprehensive income/(expense)</b>	-	-	-	<b>3.9</b>	-	<b>(2.7)</b>	-	<b>8.1</b>	<b>9.3</b>
Share-based payments	-	-	-	-	-	-	-	0.2	0.2
Disposal of properties	-	-	-	(0.2)	-	-	-	0.2	-
Dividends paid	-	-	-	-	-	-	-	(21.0)	(21.0)
<b>Total transactions with owners</b>	-	-	-	<b>(0.2)</b>	-	-	-	<b>(20.6)</b>	<b>(20.8)</b>
At 31 March 2012	44.3	332.6	41.5	415.1	6.8	(104.1)	(130.9)	200.8	806.1

## NOTES

### 1 Basis of preparation of interim financial information

This interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the interim financial information as applied in the Group's audited financial statements for the 52 weeks ended 29 September 2012.

The financial information for the 52 weeks ended 29 September 2012 is extracted from the audited accounts for that period, which have been delivered to the Registrar of Companies. The Auditors' report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim financial information for the 26 weeks ended 30 March 2013 and the comparatives to 31 March 2012 are unaudited, but have been reviewed by the Auditors.

The Group does not consider that any standards or interpretations issued by the International Accounting Standards Board (IASB), but not yet applicable, will have a significant impact on the financial statements for the 53 weeks ending 5 October 2013.

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

### 2 Segment reporting

	30 March 2013						
	Destination and Premium £m	Taverns £m	Leased £m	Brewing £m	Group Services £m	Unallocated £m	Group £m
Revenue	154.7	117.2	26.3	79.3	-	-	377.5
Less: sales to other segments	-	-	-	(19.4)	-	-	(19.4)
External revenue	154.7	117.2	26.3	59.9	-	-	358.1
Operating profit before exceptional items	24.2	29.8	13.1	7.5	(8.0)	-	66.6
Exceptional items	(0.5)	(1.1)	(0.2)	(1.8)	(0.3)	-	(3.9)
Operating profit	23.7	28.7	12.9	5.7	(8.3)	-	62.7
Total assets	1,020.3	858.8	351.9	179.2	40.2	183.8	2,634.2
Net assets	927.2	839.6	341.0	147.3	16.3	(1,513.2)	758.2

	31 March 2012						
	Destination and Premium £m	Taverns £m	Leased £m	Brewing £m	Group Services £m	Unallocated £m	Group £m
Revenue	142.9	117.5	28.1	68.2	-	-	356.7
Less: sales to other segments	-	-	-	(14.6)	-	-	(14.6)
External revenue	142.9	117.5	28.1	53.6	-	-	342.1
Operating profit before exceptional items	22.1	32.1	13.9	7.5	(8.0)	-	67.6
Exceptional items	-	-	-	-	-	-	-
Operating profit	22.1	32.1	13.9	7.5	(8.0)	-	67.6
Total assets	764.2	1,075.2	327.4	182.8	30.3	133.4	2,513.3
Net assets	666.9	1,054.7	317.5	150.4	16.6	(1,400.0)	806.1

Operating profit before exceptional items is a key measure of profitability used by the chief operating decision maker.

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

In the prior period the Group had four distinguishable operating segments being Managed Pubs, Tenanted and Franchised, Brewing and Group Services. The Group has now restructured how its pub operations are managed and reported. The five operating segments set out above reflect this new structure. The results for the 26 weeks ended 31 March 2012 have been restated to reflect these revised segments.

## NOTES

### 3 Exceptional items

	30 March 2013 £m	31 March 2012 £m
<b>Operating items</b>		
Reorganisation costs	3.9	-
	<b>3.9</b>	-
<b>Non-operating items</b>		
Write-off of unamortised finance costs	-	2.8
Interest on outstanding tax liabilities	-	3.5
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	<b>(0.2)</b>	<b>(2.6)</b>
	<b>(0.2)</b>	8.3
	<b>3.7</b>	8.3

#### *Reorganisation costs*

Reorganisation costs of £3.9 million were incurred during the period. These related to the restructuring of the Group's operating segments.

#### *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 £0.2 million (2012: £2.6 million) is shown as an exceptional item. In addition to this, a gain of £3.3 million (2012: loss of £2.6 million) has been recognised in the hedging reserve, in relation to the effective portion of the movement in fair value of interest rate swaps which are accounted for as hedging instruments.

#### *Impact of taxation*

The current tax credit relating to the above exceptional items amounts to £0.4 million (2012: £3.6 million). The deferred tax credit relating to the above exceptional items amounts to £0.5 million (2012: charge of £1.6 million). In addition, there is an exceptional deferred tax credit of £nil (2012: £2.6 million) in relation to the change in corporation tax rate.

#### *Prior period exceptional items*

During the prior period the Group entered into a new bank facility. As such the unamortised finance costs relating to the previous facility were written off.

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

The Group holds an interest rate swap of £20.0 million which had been 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 entered into a new bank facility in the prior period, these forecast transactions were no longer expected to occur. Therefore the cumulative hedging loss of £0.8 million that had been reported in equity was transferred to the income statement.

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 were 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.



## NOTES

### 4 Finance costs and income

	30 March 2013 £m	31 March 2012 £m
<b>Finance costs</b>		
Bank borrowings	7.4	4.6
Securitised debt	30.4	28.8
Finance leases	0.3	-
Other lease related borrowings	0.3	-
Other interest payable	1.0	1.0
	<b>39.4</b>	<b>34.4</b>
<b>Exceptional finance costs</b>		
Write-off of unamortised finance costs	-	2.8
Interest on outstanding tax liabilities	-	3.5
Transfer of cumulative hedging loss from equity to the income statement	-	0.8
Loss on recognition of interest rate swaps	-	18.9
	-	26.0
<b>Total finance costs</b>	<b>39.4</b>	<b>60.4</b>
<b>Finance income</b>		
Deposit and other interest receivable	(0.1)	(0.1)
Net finance income in respect of retirement benefits	(0.3)	(0.2)
	<b>(0.4)</b>	<b>(0.3)</b>
<b>Exceptional finance income</b>		
Gain on recognition of interest rate swaps	-	(15.1)
	-	(15.1)
<b>Total finance income</b>	<b>(0.4)</b>	<b>(15.4)</b>
<b>Movement in fair value of interest rate swaps</b>		
Gain on movement in fair value of interest rate swaps	(3.4)	(2.7)
Loss on movement in fair value of interest rate swaps	3.2	0.1
	<b>(0.2)</b>	<b>(2.6)</b>
<b>Net finance costs</b>	<b>38.8</b>	<b>42.4</b>

### 5 Taxation

The taxation charge for the 26 weeks ended 30 March 2013 has been calculated by applying an estimate of the effective tax rate before exceptional items for the 53 weeks ending 5 October 2013 (approximately 20.7%) (26 weeks ended 31 March 2012: approximately 20.0%).

	30 March 2013 £m	31 March 2012 £m
Current tax	4.6	2.3
Deferred tax	0.2	(0.2)
	<b>4.8</b>	<b>2.1</b>

The tax charge includes a current tax credit of £0.4 million (2012: £3.6 million) and a deferred tax credit of £0.5 million (2012: charge of £1.6 million) relating to the tax on exceptional items (note 3), together with an exceptional deferred tax credit of £nil (2012: £2.6 million) in relation to the change in corporation tax rate.

## NOTES

### 6 Earnings per ordinary share

	30 March 2013			31 March 2012		
	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	19.1	569.2	3.4	23.1	568.9	4.1
Diluted earnings per share	19.1	576.0	3.3	23.1	573.2	4.0
<b>Underlying earnings per share figures</b>						
Basic earnings per share before exceptional items	21.9	569.2	3.8	26.8	568.9	4.7
Diluted earnings per share before exceptional items	21.9	576.0	3.8	26.8	573.2	4.7

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

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

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

### 7 Property, plant and equipment

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

	£m
Net book amount at 2 October 2011	1,989.4
Additions	61.7
Net transfers to assets held for sale and disposals	(3.2)
Depreciation, revaluation and other movements	(20.5)
<b>Net book amount at 31 March 2012</b>	<b>2,027.4</b>

## NOTES

### 8 Analysis of net debt

	30 March 2013 £m	Cash flow £m	Non-cash movements and deferred issue costs £m	29 September 2012 £m
<b>Cash and cash equivalents</b>				
Cash at bank and in hand	103.8	43.0	-	60.8
	103.8	43.0	-	60.8
<b>Debt due within one year</b>				
Bank loans	0.8	-	-	0.8
Securitised debt	(22.7)	11.0	(11.6)	(22.1)
Finance leases	(0.1)	0.3	(0.4)	-
	(22.0)	11.3	(12.0)	(21.3)
<b>Debt due after one year</b>				
Bank loans	(198.3)	(25.0)	(0.4)	(172.9)
Securitised debt	(976.3)	-	11.3	(987.6)
Finance leases	(20.8)	-	(20.8)	-
Other lease related borrowings	(80.5)	(86.8)	6.3	-
Preference shares	(0.1)	-	-	(0.1)
	(1,276.0)	(111.8)	(3.6)	(1,160.6)
<b>Net debt</b>	<b>(1,194.2)</b>	<b>(57.5)</b>	<b>(15.6)</b>	<b>(1,121.1)</b>

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

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

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 (at 29 September 2012: £3.7 million), which relates to a letter of credit with Royal Sun Alliance Insurance, an amount of £0.5 million (at 29 September 2012: £0.5 million), which relates to a letter of credit with Aviva, and an amount of £8.5 million (at 29 September 2012: £8.5 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.

	30 March 2013 £m	31 March 2012 £m
<b>Reconciliation of net cash flow to movement in net debt</b>		
Increase in cash and cash equivalents in the period	43.0	1.3
Cash inflow from movement in debt	(100.5)	(24.6)
Change in debt resulting from cash flows	(57.5)	(23.3)
Non-cash movements and deferred issue costs	(15.6)	0.2
Movement in net debt in the period	(73.1)	(23.1)
Net debt at beginning of the period	(1,121.1)	(1,100.8)
<b>Net debt at end of the period</b>	<b>(1,194.2)</b>	<b>(1,123.9)</b>

### 9 Material transactions

Additional contributions of £6.9 million (26 weeks ended 31 March 2012: £5.6 million) were made in the period to the Marston's PLC Pension and Life Assurance Scheme.

There were no significant related party transactions during the period (26 weeks ended 31 March 2012: none).

### 10 Capital commitments

Capital expenditure authorised and committed at the period end but not provided for in this interim financial information was £16.7 million (at 29 September 2012: £14.9 million).

### 11 Contingent liabilities

There have been no material changes to contingent liabilities since 29 September 2012.

## **NOTES**

### **12 Seasonality of interim operations**

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

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

### **13 Events after the balance sheet date**

An interim dividend of £13.1 million, being 2.30p (2012: 2.20p) per ordinary share, has been proposed and will be paid on 1 July 2013 to those shareholders on the register at the close of business on 31 May 2013. This interim financial information does not reflect this dividend payable.

### **14 Principal risks and uncertainties**

The Group set out in its 2012 Annual Report the principal risks and uncertainties that could impact its performance; these remain unchanged since the Annual Report was published and are expected to remain unchanged for the second half of the financial year.

### **15 Interim results**

The interim results were approved by the Board on 16 May 2013.

### **16 Copies**

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