



19 May 2011

## MARSTON'S PLC

### INTERIM RESULTS FOR THE 26 WEEKS ENDED 2 APRIL 2011

#### FINANCIAL HIGHLIGHTS

- Group revenue up 2.8% to £317.9 million (2010: £309.2 million)
- Underlying profit before tax up 5.0% to £29.2 million (2010: £27.8 million)
- Marston's Inns and Taverns like-for-like sales up 2.4% with operating profit up 3.9%
- Marston's Pub Company operating profit up 0.3% with improving trends
- Marston's Beer Company operating profit up 1.4%
- Net debt of £1,105 million, slightly below last year
- Earnings per share and interim dividend:
  - Underlying earnings per share up 7.9% to 4.1 pence per share (2010: 3.8 pence per share)
  - Maintained interim dividend of 2.1 pence per share: increased dividend cover to 1.9 times

#### STRATEGY HIGHLIGHTS

- **Managed pub development** - Eight new-build pubs completed in the year to date with performance ahead of target. New-build sites continue to generate a high EBITDA return on capital increasing to 18.6%
- **The 'F-Plan'** - Like-for-like food sales up 5% now representing 41% of sales; main meals served up 10% to around 12 million meals; average food spend per head of £6.24 up 4%, driven by higher sales of starters and desserts
- **Tenanted and leased pub development** - Retail Agreement implemented in 227 pubs (up from 104 pubs at 2010 year end) with profit uplift in line with targets
- **'Localness' and premium ale strategy** - Group ale volumes up 4% with premium cask ale volumes up by 4% and bottled ale up by 15%. Premium ale brands now represent 62% of our ale portfolio; maintained position as market leader in the premium ale market

#### CURRENT TRADING – 32 WEEKS TO 14 MAY

- On a like-for-like basis managed sales were up 3.2% including food sales up 5.0% and wet sales up 2.7%. Like-for-like sales in the nine weeks to 14 May, including Mother's Day and Easter in both years, up 5.0%
- Tenanted and leased like-for-like profits estimated to be up 0.4%
- Own-brewed volumes 4% ahead of last year

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

"The performance of the Group in the first half year has been encouraging, despite challenging market conditions and the severe weather in December, and this has continued with good trading over the Easter period. Our focused and disciplined strategy, offering consumers value for money in well-invested pubs, together with sector-leading shares in the growth segments of the beer market, places us in a strong position for the future."

**ENQUIRIES:****Marston's PLC**

Ralph Findlay, Chief Executive  
Andrew Andrea, Group Finance Director  
Tel: 020 7796 4133 on Thursday 19 May 2011 only  
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**Hudson Sandler**

Andrew Hayes/Andrew Leach/  
Kate Hough  
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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, leased, and managed pubs.
- It is the UK's leading brewer of premium cask and bottled ales, including Marston's Pedigree and Hobgoblin. The beer portfolio also includes Banks's, Jennings, Wychwood, Ringwood, Brakspear and Mansfield beers.
- Marston's employs over 12,000 people throughout England and Wales.
- The underlying results reflect the performance of the Group before exceptional items. The Directors consider that these figures provide a useful indication of the underlying performance of the Group.

## GROUP OVERVIEW

Our results demonstrate growth in revenue and earnings compared to 2010. This has been achieved despite difficult market conditions, demonstrating the resilience of our business model and the successful implementation of our strategy.

Revenue was 2.8% up on last year, notwithstanding the fact that Mother's Day and Easter fell in the second half year in 2011. Group operating margin is 0.3% below last year, predominantly as a result of the increasing number of Retail Agreements in Marston's Pub Company. These agreements generate higher turnover and profit, but lower percentage margins. Operating margins rose in both Marston's Inns and Taverns and Marston's Beer Company reflecting tight controls.

Underlying operating profit increased by 1.4% to £66.4 million with underlying profit before tax of £29.2 million up 5.0% (2010: £27.8 million). The estimated profit impact of the later Mother's Day and Easter weekend is around £1 million. Underlying earnings per share increased by 7.9% to 4.1 pence per share (2010: 3.8 pence per share).

Over the first half of the year, we have continued to make good progress in executing the key operational components of our strategy as described below.

**New-build development.** It is our view that growth of the estate is best achieved by building high returning new pubs. We are on target to open 20 new-build pub restaurants this financial year and it remains our intention to build 25 sites per year from financial year 2012. The performance of the pubs built since 2010 has improved further, with average turnover increasing to £27k per week (2010: £23k per week), well ahead of our initial £20k per week target. Profitability has also improved, producing an estimated annual EBITDA return on capital of 18.6%, which represents an effective investment multiple of 5.4x EBITDA.

**The 'F-Plan'.** Our organic development plans are underpinned by the 'F-Plan' – a focus on food, families, females and forty/fifty somethings which recognises the longer-term growth trends in the market. In the first half year we have continued to make good progress with our food sales mix increasing to 41% and we expect this to increase to over 45% by 2014.

**Development of the Retail Agreement.** It is our intention to convert approximately 600 pubs in the tenanted estate to our innovative Retail Agreement by the end of 2013. We have converted 227 pubs to date, and the performance to date has been encouraging, with post conversion profits up a further £0.7 million compared to last year. We will convert at least 100 additional pubs by the end of this financial year, and the remaining pubs by the end of 2013. The average expenditure per conversion is around £50k per pub with a minimum target return on incremental capital expenditure of 20%. We remain on target to achieve these returns. We were delighted to win The Publican magazine's 'Pub Company of the Year' Award for 2011 in recognition of our innovative approach.

**'Localness' and premium ale strategy.** Our strategic objectives in Marston's Beer Company are to offer consumers beer brands with local provenance and to meet the increasing consumer demand for premium cask and bottled ales. We remain market leaders in both of these growth segments of the ale market.

**Current trading.** We have seen a good start to the second half year. In Marston's Inns and Taverns, like-for-like sales in the nine weeks to 14 May, which includes Mother's Day and Easter in both years, increased by 5.0%, with food sales growth of 5.6%, and wet sales improving by 5.4%. In Marston's Pub Company, profit trends continue to improve and like-for-like profit is estimated to be up 0.4%. Marston's Beer Company continues to perform well with Group ale volumes up 4%.

## **BUSINESS REVIEW**

### **MARSTON'S INNS AND TAVERNS**

As at 2 April 2011, our managed estate comprised 486 pubs.

Total revenue increased by 3.6% to £181.7 million reflecting the contribution of new-build pub-restaurants, which traded well; growth in like-for-like sales; and the impact of the disposal of town centre leasehold sites during 2010 and 2011 to date. Underlying operating profit of £26.5 million was up 3.9% (2010: £25.5 million) despite the fact that the key trading days of Mother's Day, Good Friday and Easter Saturday fell in the second half year in 2011 but in the first half of 2010.

Total like-for-like sales were 2.4% above last year, with like-for-like food sales up by 4.7% and like-for-like wet sales up 1.5% demonstrating that pubs which offer value for money in a high quality environment continue to enjoy strong consumer demand, despite the difficult economic backdrop.

The popularity of our value offers, which include trading formats such as 'Two for One' and '2 meals for £10', has contributed to a 10% increase in the number of main meals served to over 12 million in the period. We have held the price of our award-winning children's menus, achieving a 16% increase in sales of children's meals to over one million per annum.

Our continuing focus on service standards has contributed to an increase in average food spend per head to £6.24, driven primarily by the increased popularity of our range of starters and desserts, sales of which have increased by over 10%. We continue to invest significantly in staff training to further improve standards and recently we have introduced the Empathica customer feedback system to gain additional insights into customer satisfaction and areas for improvement.

The growth in wet sales represents a good performance compared to the weak UK on-trade market, which fell by around 7%. We have seen improving trends in all drinks categories and, in particular, increased sales of our own cask ales – including premium cask ale growth of 10% – building on the strong growth achieved last year.

We achieved a 0.1% improvement in operating margin primarily through lower food costs and tight labour cost control. We expect cost inflation to be modest and manageable for the remainder of 2011, largely due to the majority of our supply contracts being at fixed or capped prices. Looking forward to 2012, we are anticipating some cost inflation but our expectation is that we can fully mitigate these cost increases through a combination of below inflation price increases, menu management and tight cost control.

Capital investment included £17 million on new-build pub-restaurants and £14 million on the existing estate including the major refurbishment of 23 pubs.

## **MARSTON'S PUB COMPANY**

As at 2 April 2011, the tenanted and leased pub estate comprised 1,660 pubs.

Total revenue increased by 4.5% to £85.9 million, benefiting from the rollout of Retail Agreements. Underlying operating profit was £38.6 million, an increase of 0.3% which reflects the stable performance of pubs on long-term traditional agreements, and the profit uplift being achieved from Retail Agreement pubs. Average profit per pub increased by 1.5%.

The estate comprises around 1,000 pubs intended to remain on traditional tenanted agreements, and approximately 600 pubs that will be converted to Retail Agreements by September 2013.

In the traditional estate our performance was stable, with revenue up 0.2%, and operating profit up 0.8% on last year. Rents were up 2.7%, demonstrating that our rent setting process has been consistent, fair and implemented with regard to the sustainability of the pub. In these pubs, tenant stability is high, with licensee changes less than 10%. The stability of profits and licensees demonstrates that tenanted and leased pubs, operated by skilled retailers, are capable of meeting the challenges of the current economic environment. Operating margins in these pubs are level with last year.

In the remaining 600 pubs, profits are down 3% which is a significant improvement on the trend last year. The rollout of the Retail Agreement has contributed a further £0.7 million of profit growth this year, offset by a profit decline in the pubs yet to be converted.

Operating margin for the division was 1.9% lower at 44.9%, primarily due to the rollout of the Retail Agreement. Capital investment in the period was £13 million including around £6 million in Retail Agreement pubs and £7 million in maintenance capital, demonstrating our commitment to maintaining a high-quality estate.

## **MARSTON'S BEER COMPANY**

Total revenue decreased by 2.5% to £50.3 million, reflecting the timing of Easter and lower standard lager volumes in the independent free trade. Underlying operating profit increased by 1.4% to £7.3 million.

Overall ale volumes were up 4% on last year, with premium ale volumes up 6%. Our focus on premium ale is reflected in increased market share in these segments, with our share in premium cask ale up by a further 1% to 24% (source: British Beer & Pub Association (BBPA)), and our market share of bottled ale also improving to 26% (source: BBPA) over the same period. Approximately 74% of our own-brewed beers are sold to third parties, up 2% on last year.

Our 'localness' strategy continues to prove successful in the independent free trade. Our account base increased by 8% to over 3,100 customers, and cask ale sales are up 6%. There has been a decline in lower-margin standard lager volumes consistent with UK trends. In the take home market we have successfully built on our strong 2010 performance, with premium ales up 3%. Take home volumes now account for 47% of our external ale sales volume. We have achieved a good premium ale performance across the brand range, with Marston's up 4%, Hobgoblin up 10% and Ringwood up 12%.

Operating margin was up by 0.5% to 14.5%. Costs were broadly unchanged and we anticipate this to be the case for the remainder of 2011 because the majority of our supply contracts are at fixed prices.

## FINANCIAL REVIEW

### Results for the 26 weeks to 2 April 2011

	Revenue		Underlying operating profit (see note 2)		Margin	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 %	2010 %
Marston's Inns and Taverns	181.7	175.4	26.5	25.5	14.6	14.5
Marston's Pub Company	85.9	82.2	38.6	38.5	44.9	46.8
Marston's Beer Company	50.3	51.6	7.3	7.2	14.5	14.0
Marston's Group Services	-	-	(6.0)	(5.7)	(1.9)	(1.8)
<b>Group</b>	<b>317.9</b>	<b>309.2</b>	<b>66.4</b>	<b>65.5</b>	<b>20.9</b>	<b>21.2</b>

### Overview

Despite continued tough economic conditions, Group revenue was 2.8% up on last year, with improving trends in the pub divisions.

Underlying operating profit increased by 1.4% to £66.4 million and underlying earnings per share were up 7.9% to 4.1 pence per share (2010: 3.8 pence per share). Unlike last year, both Mother's Day and the start of the Easter weekend fell outside the first half of the year; the profit impact of this is estimated to be around £1 million.

Profit after exceptional items was £30.3 million and basic earnings per share after exceptional items were 5.3 pence per share (2010: 3.6 pence per share).

### Margin

Group operating margin was 0.3% down on last year due to the increased mix of profits from Marston's Inns and Taverns and the development of the Retail Agreement. Operating margin improved slightly in Marston's Inns and Taverns through tight cost controls, and in Marston's Beer Company due to the increased sales mix of own-brewed ale volumes.

### Dividend

The Board has declared an interim dividend of 2.1 pence per share (2010: 2.1 pence per share) which will be paid on 30 June 2011. Dividend cover has improved to 1.9 times (2010: 1.8 times), close to the Board's policy target of a dividend cover of around two times over the medium term.

### Cash flow

The business remains highly cash generative with EBITDA of £86.8 million and net cash inflow from operating activities of £79.0 million in the period. The cash inflow from operating activities is slightly below last year, primarily due to a higher level of cash taxation, up £9.5 million versus last year.

### Capital expenditure

Capital expenditure for the first half year increased to £49.1 million in 2011 (2010: £38.7 million), as we continue to invest in the new-build pub development programme. As a result, we expect capital expenditure to be around £100 million for the year as a whole (2010: £83.5 million).

### Disposals

Proceeds of around £6 million have been received from the disposal of 10 pubs and other properties.

## **Financing**

The Group has a £295 million bank facility to August 2013, with £111 million drawn down at 2 April 2011. This facility, together with our 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. At the half year, virtually all gross debt is at fixed rates of interest with a blended cost of debt of approximately 6.9%.

Net debt of £1,105 million at 2 April 2011 is slightly below last year (2010: £1,109 million).

## **Pensions**

Our final salary pension scheme now reflects a surplus of £13.9 million, due to improved returns on scheme assets and the incorporation of CPI into the liability calculation.

## **Taxation**

The underlying rate of taxation (before exceptional items) has decreased from 21.6% in 2010 to 20.9% in 2011. The improvement in tax rate has been driven by a combination of the lower corporation tax rate and higher indexation allowances.

## **Exceptional items**

The exceptional finance income of £6.4 million reflects a non-cash credit for the movement in fair value of certain interest rate swaps, partially offset by a £1.7 million related deferred tax charge. Although all of the Group's interest rate swaps are held to match existing floating rate borrowings of the Group, certain swaps do not meet the strict accounting definition to qualify for hedge accounting. This results in fair value movements on those swaps being accounted for within the income statement as an exceptional item.

In addition, an exceptional deferred tax credit of £2.5 million has been recognised in relation to the change in the corporation tax rate from 1 April 2011.

## **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 2 April 2011, 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 the 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 IFRSs 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 2 April 2011 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.



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

The Directors confirm that, to the best of their knowledge, these condensed consolidated interim financial statements, have been prepared in accordance with IAS 34 as adopted by the European Union. 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 2 October 2010. 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:

[Signature]  
Ralph Findlay  
Chief Executive  
19 May 2011

[Signature]  
Andrew Andrea  
Finance Director  
19 May 2011

## GROUP INCOME STATEMENT (UNAUDITED)

for the 26 weeks ended 2 April 2011

	Note	26 weeks to 2 April 2011			26 weeks to 3 April 2010			52 weeks to 2 October 2010
		Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m	Total £m
<b>Revenue</b>	2	<b>317.9</b>	-	<b>317.9</b>	309.2	-	309.2	650.7
Operating expenses		(251.5)	-	(251.5)	(243.7)	-	(243.7)	(518.3)
<b>Operating profit</b>	2	<b>66.4</b>	-	<b>66.4</b>	65.5	-	65.5	132.4
Finance costs	4	(38.1)	-	(38.1)	(38.1)	-	(38.1)	(75.7)
Finance income	4	0.9	-	0.9	0.4	-	0.4	0.5
Movement in fair value of interest rate swaps	3, 4	-	6.4	6.4	-	(1.5)	(1.5)	(4.7)
Net finance costs	4	(37.2)	6.4	(30.8)	(37.7)	(1.5)	(39.2)	(79.9)
<b>Profit before taxation</b>		<b>29.2</b>	<b>6.4</b>	<b>35.6</b>	27.8	(1.5)	26.3	52.5
Taxation	5	(6.1)	0.8	(5.3)	(6.0)	0.4	(5.6)	(5.0)
<b>Profit for the period attributable to equity shareholders</b>		<b>23.1</b>	<b>7.2</b>	<b>30.3</b>	21.8	(1.1)	20.7	47.5
<b>Earnings per share:</b>								
Basic earnings per share	6			<b>5.3p</b>			3.6p	8.3p
Basic earnings per share before exceptional items	6			<b>4.1p</b>			3.8p	10.0p
Diluted earnings per share	6			<b>5.3p</b>			3.6p	8.3p
Diluted earnings per share before exceptional items	6			<b>4.0p</b>			3.8p	10.0p

## GROUP STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the 26 weeks ended 2 April 2011

	26 weeks to 2 April 2011 £m	26 weeks to 3 April 2010 £m	52 weeks to 2 October 2010 £m
Profit for the period	<b>30.3</b>	20.7	47.5
Gains/(losses) arising on cash flow hedges	<b>36.9</b>	(4.7)	(54.3)
Transfers to the income statement on cash flow hedges	<b>10.7</b>	11.3	22.3
Actuarial gains/(losses) on retirement benefits	<b>31.0</b>	-	(1.0)
Unrealised surplus on revaluation of properties	-	2.3	3.3
Reversal of past revaluation surplus	-	(1.3)	(2.0)
Tax relating to components of other comprehensive income/(expense)	<b>(17.7)</b>	(0.7)	14.4
Other comprehensive income/(expense) for the period	<b>60.9</b>	6.9	(17.3)
<b>Total comprehensive income for the period</b>	<b>91.2</b>	27.6	30.2

## GROUP CASH FLOW STATEMENT (UNAUDITED)

for the 26 weeks ended 2 April 2011

	Note	26 weeks to 2 April 2011 £m	26 weeks to 3 April 2010 £m	52 weeks to 2 October 2010 £m
<b>Operating activities</b>				
Operating profit before exceptional items		66.4	65.5	148.7
Exceptional operating items		-	-	(16.3)
Depreciation and amortization		20.4	20.0	39.9
<b>EBITDA*</b>		<b>86.8</b>	<b>85.5</b>	<b>172.3</b>
Working capital and non-cash movements		2.2	0.2	26.4
Difference between defined benefit pension contributions paid and amounts charged		(7.1)	(11.0)	(11.8)
Income tax (paid)/received		(2.9)	6.6	2.4
<b>Net cash inflow from operating activities</b>		<b>79.0</b>	<b>81.3</b>	<b>189.3</b>
<b>Investing activities</b>				
Interest received		0.2	0.5	0.9
Sale of property, plant and equipment and assets held for sale		3.7	5.9	17.5
Purchase of property, plant and equipment and intangible assets		(49.1)	(38.7)	(83.5)
Sale of subsidiary and associated business		2.0	-	-
Movement in other non-current assets		1.0	1.4	2.7
<b>Net cash outflow from investing activities</b>		<b>(42.2)</b>	<b>(30.9)</b>	<b>(62.4)</b>
<b>Financing activities</b>				
Equity dividends paid		(21.0)	(21.0)	(33.0)
Interest paid		(36.8)	(37.4)	(73.5)
Repayment of securitised debt		(9.8)	(9.3)	(19.4)
Advance/(repayment) of bank loans		14.0	(32.0)	(28.0)
Repayment of loan notes		(0.6)	(0.6)	(4.8)
<b>Net cash outflow from financing activities</b>		<b>(54.2)</b>	<b>(100.3)</b>	<b>(158.7)</b>
<b>Net decrease in cash and cash equivalents</b>	8	<b>(17.4)</b>	<b>(49.9)</b>	<b>(31.8)</b>
<b>Reconciliation of net cash flow to movement in net debt</b>				
<b>Decrease in cash and cash equivalents in the period</b>	8	<b>(17.4)</b>	<b>(49.9)</b>	<b>(31.8)</b>
Cash (inflow)/outflow from movement in debt		(3.6)	41.9	52.2
Change in debt resulting from cash flows	8	(21.0)	(8.0)	20.4
Non-cash movements and deferred issue costs	8	(2.0)	(1.5)	(3.3)
<b>Movement in net debt in the period</b>		<b>(23.0)</b>	<b>(9.5)</b>	<b>17.1</b>
<b>Net debt at beginning of the period</b>	8	<b>(1,082.2)</b>	<b>(1,099.3)</b>	<b>(1,099.3)</b>
<b>Net debt at end of the period</b>	8	<b>(1,105.2)</b>	<b>(1,108.8)</b>	<b>(1,082.2)</b>

\* EBITDA – Earnings before interest, tax, depreciation and amortisation

## GROUP BALANCE SHEET (UNAUDITED)

as at 2 April 2011

	Note	2 April 2011 £m	3 April 2010 £m	2 October 2010 £m
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill		224.2	224.2	224.2
Other intangible assets		24.3	23.7	24.6
Property, plant and equipment	7	1,960.0	1,907.5	1,930.2
Deferred tax assets		42.1	56.9	65.5
Retirement benefit surplus	9	13.9	-	-
Other non-current assets		18.2	20.5	19.2
		<b>2,282.7</b>	<b>2,232.8</b>	<b>2,263.7</b>
<b>Current assets</b>				
Inventories		19.4	18.9	17.2
Trade and other receivables		67.5	82.6	65.3
Cash and cash equivalents	8	50.3	48.7	59.5
		<b>137.2</b>	<b>150.2</b>	<b>142.0</b>
<b>Assets held for sale</b>		<b>8.4</b>	<b>19.3</b>	<b>16.0</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Borrowings	8	(25.2)	(29.1)	(16.9)
Derivative financial instruments		(14.4)	(17.6)	(20.8)
Trade and other payables		(123.3)	(114.0)	(115.7)
Current tax liabilities		(27.4)	(30.1)	(25.2)
		<b>(190.3)</b>	<b>(190.8)</b>	<b>(178.6)</b>
<b>Non-current liabilities</b>				
Borrowings	8	(1,130.3)	(1,132.7)	(1,124.8)
Derivative financial instruments		(61.3)	(70.3)	(108.9)
Retirement benefit obligations		-	(24.5)	(25.0)
Deferred tax liabilities		(165.7)	(177.6)	(171.3)
Other non-current liabilities		(0.3)	(0.7)	(0.3)
Provisions for other liabilities and charges		(29.6)	(15.8)	(32.3)
		<b>(1,387.2)</b>	<b>(1,421.6)</b>	<b>(1,462.6)</b>
<b>Net assets</b>		<b>850.8</b>	<b>789.9</b>	<b>780.5</b>
<b>Shareholders' equity</b>				
Equity share capital		44.3	44.3	44.3
Share premium account		332.5	332.5	332.5
Merger reserve		41.5	41.5	41.5
Revaluation reserve		405.5	397.1	401.7
Capital redemption reserve		6.8	6.8	6.8
Hedging reserve		(45.4)	(50.6)	(79.5)
Own shares		(130.9)	(130.9)	(130.9)
Foreign exchange reserve		-	0.2	0.2
Retained earnings		196.5	149.0	163.9
<b>Total equity</b>		<b>850.8</b>	<b>789.9</b>	<b>780.5</b>

## GROUP STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the 26 weeks ended 2 April 2011

	Equity share capital	Share premium account	Merger reserve	Revaluation reserve	Capital redemption reserve	Hedging reserve	Own shares	Foreign exchange reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£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	-	-	-	-	-	-	-	-	30.3	30.3
Actuarial gains	-	-	-	-	-	-	-	-	31.0	31.0
Tax on actuarial gains	-	-	-	-	-	-	-	-	(8.3)	(8.3)
Gains on cash flow hedges	-	-	-	-	-	36.9	-	-	-	36.9
Transfers to the income statement on cash flow hedges	-	-	-	-	-	10.7	-	-	-	10.7
Tax on hedging reserve movements	-	-	-	-	-	(13.5)	-	-	-	(13.5)
Deferred tax on properties	-	-	-	4.1	-	-	-	-	-	4.1
Total comprehensive income	-	-	-	4.1	-	34.1	-	-	53.0	91.2
Share-based payments	-	-	-	-	-	-	-	-	0.1	0.1
Disposal of properties	-	-	-	(0.3)	-	-	-	(0.2)	0.5	-
Dividends paid	-	-	-	-	-	-	-	-	(21.0)	(21.0)
Total transactions with owners	-	-	-	(0.3)	-	-	-	(0.2)	(20.4)	(20.9)
At 2 April 2011	44.3	332.5	41.5	405.5	6.8	(45.4)	(130.9)	-	196.5	850.8

for the 26 weeks ended 3 April 2010

	Equity share capital	Share premium account	Merger reserve	Revaluation reserve	Capital redemption reserve	Hedging reserve	Own shares	Foreign exchange reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 4 October 2009	44.3	332.5	41.5	396.0	6.8	(55.4)	(130.9)	0.2	148.2	783.2
Profit for the period	-	-	-	-	-	-	-	-	20.7	20.7
Losses on cash flow hedges	-	-	-	-	-	(4.7)	-	-	-	(4.7)
Transfers to the income statement on cash flow hedges	-	-	-	-	-	11.3	-	-	-	11.3
Tax on hedging reserve movements	-	-	-	-	-	(1.8)	-	-	-	(1.8)
Property revaluation	-	-	-	2.3	-	-	-	-	-	2.3
Property impairment	-	-	-	(1.3)	-	-	-	-	-	(1.3)
Deferred tax on properties	-	-	-	1.1	-	-	-	-	-	1.1
Total comprehensive income	-	-	-	2.1	-	4.8	-	-	20.7	27.6
Share-based payments	-	-	-	-	-	-	-	-	0.1	0.1
Disposal of properties	-	-	-	(1.0)	-	-	-	-	1.0	-
Dividends paid	-	-	-	-	-	-	-	-	(21.0)	(21.0)
Total transactions with owners	-	-	-	(1.0)	-	-	-	-	(19.9)	(20.9)
At 3 April 2010	44.3	332.5	41.5	397.1	6.8	(50.6)	(130.9)	0.2	149.0	789.9

## 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 2 October 2010.

The financial information for the 52 weeks ended 2 October 2010 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 2 April 2011 and the comparatives to 3 April 2010 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 52 weeks ending 1 October 2011.

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

	2 April 2011					
	Marston's Inns and Taverns £m	Marston's Pub Company £m	Marston's Beer Company £m	Marston's Group Services £m	Unallocated £m	Group £m
Revenue	181.7	85.9	64.7	-	-	332.3
Less: Sales to other segments	-	-	(14.4)	-	-	(14.4)
	181.7	85.9	50.3	-	-	317.9
Operating profit before exceptional items	26.5	38.6	7.3	(6.0)	-	66.4
Exceptional items	-	-	-	-	-	-
Operating profit	26.5	38.6	7.3	(6.0)	-	66.4
Total assets	997.5	1,111.1	176.0	37.4	106.3	2,428.3
Net assets	916.1	1,088.4	143.1	21.2	(1,318.0)	850.8

	3 April 2010					
	Marston's Inns and Taverns £m	Marston's Pub Company £m	Marston's Beer Company £m	Marston's Group Services £m	Unallocated £m	Group £m
Revenue	175.4	82.2	66.9	-	-	324.5
Less: Sales to other segments	-	-	(15.3)	-	-	(15.3)
	175.4	82.2	51.6	-	-	309.2
Operating profit before exceptional items	25.5	38.5	7.2	(5.7)	-	65.5
Exceptional items	-	-	-	-	-	-
Operating profit	25.5	38.5	7.2	(5.7)	-	65.5
Total assets	960.2	1,108.0	188.2	36.0	109.9	2,402.3
Net assets	900.3	1,089.1	151.0	21.5	(1,372.0)	789.9

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.

## NOTES

### 3 Exceptional items

	2 April 2011 £m	3 April 2010 £m
<b>Non-operating items</b>		
Movement in fair value of interest rate swaps	(6.4)	1.5

The interest rate swaps are revalued to fair value at each balance sheet date and the movement is recognised in the income statement unless hedge accounting is applied. The movement of £(6.4) million (2010: £1.5 million) in the fair value of interest rate swaps, where hedge accounting has not been applied, is shown as an exceptional item. In addition to this, £47.6 million (2010: £6.6 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 in cash flow hedges.

The deferred tax charge relating to the above exceptional items amounts to £1.7 million (2010: credit of £0.4 million). In addition, £2.5 million (2010: £nil) has been credited as exceptional in relation to the change in corporation tax rate from 28% to 26% with effect from 1 April 2011.

### 4 Finance costs and income

	2 April 2011 £m	3 April 2010 £m
<b>Finance costs</b>		
Bank borrowings	6.5	6.0
Securitised debt	30.3	30.9
Other interest payable	1.3	0.9
Net finance cost in respect of retirement benefits	-	0.3
	38.1	38.1
<b>Exceptional finance costs</b>		
Movement in fair value of interest rate swaps	-	1.5
<b>Total finance costs</b>	38.1	39.6
<b>Finance income</b>		
Deposit and other interest receivable	(0.1)	(0.4)
Net finance income in respect of retirement benefits	(0.8)	-
	(0.9)	(0.4)
<b>Exceptional finance income</b>		
Movement in fair value of interest rate swaps	(6.4)	-
<b>Total finance income</b>	(7.3)	(0.4)
<b>Net finance costs</b>	30.8	39.2

### 5 Taxation

The taxation charge for the 26 weeks ended 2 April 2011 has been calculated by applying an estimate of the effective tax rate before exceptional items for the 52 weeks ending 1 October 2011 (approximately 20.9%) (26 weeks ended 3 April 2010: approximately 21.6%).

	2 April 2011 £m	3 April 2010 £m
Current tax	5.0	(0.5)
Deferred tax	0.3	6.1
	5.3	5.6

The tax charge includes a deferred tax charge of £1.7 million (2010: credit of £0.4 million), relating to the tax on exceptional items (note 3), together with an exceptional deferred tax credit of £2.5 million (2010: £nil) in relation to the change in corporation tax rate from 28% to 26% with effect from 1 April 2011.

## NOTES

### 6 Earnings per ordinary share

	2 April 2011			3 April 2010		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£m	m	p	£m	m	p
Basic earnings per share	30.3	568.9	5.3	20.7	569.2	3.6
Diluted earnings per share	30.3	573.9	5.3	20.7	570.9	3.6
<b>Underlying earnings per share figures</b>						
Basic earnings per share before exceptional items	23.1	568.9	4.1	21.8	569.2	3.8
Diluted earnings per share before exceptional items	23.1	573.9	4.0	21.8	570.9	3.8

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 3 October 2010	1,930.2
Additions	51.8
Net transfers to assets held for sale and disposals	(1.9)
Depreciation, impairment and other movements	(20.1)
<b>Net book amount at 2 April 2011</b>	<b>1,960.0</b>

	£m
Net book amount at 4 October 2009	1,894.4
Additions	38.2
Net transfers to assets held for sale and disposals	(6.0)
Depreciation, impairment and other movements	(19.1)
Net book amount at 3 April 2010	1,907.5

In the period ended 3 April 2010 depreciation, impairment and other movements included impairments of £1.7 million of which £1.3 million reflected the reversal of previous upwards valuations and £0.4 million was taken to the income statement. There were no impairments in the period ended 2 April 2011.



## NOTES

### 8 Analysis of net debt

	2 April 2011 £m	Cash flow £m	Non-cash movements and deferred issue costs £m	2 October 2010 £m
<b>Cash and cash equivalents</b>				
Cash at bank and in hand	50.3	(9.2)	-	59.5
Bank overdrafts	(8.2)	(8.2)	-	-
	42.1	(17.4)	-	59.5
<b>Debt due within one year</b>				
Loan notes	-	0.6	-	(0.6)
Bank loans	1.5	-	-	1.5
Securitised debt	(18.5)	9.8	(10.5)	(17.8)
	(17.0)	10.4	(10.5)	(16.9)
<b>Debt due after one year</b>				
Bank loans	(108.9)	(14.0)	(0.7)	(94.2)
Securitised debt	(1,021.3)	-	9.2	(1,030.5)
Preference shares	(0.1)	-	-	(0.1)
	(1,130.3)	(14.0)	8.5	(1,124.8)
	(1,105.2)	(21.0)	(2.0)	(1,082.2)

Included within cash at bank and in hand is an amount of £3.9 million (at 2 October 2010: £3.9 million), which relates to a letter of credit with Royal Sun Alliance Insurance, and an amount of £8.7 million (at 2 October 2010: £8.6 million), which relates to collateral held in the form of cash deposits. These amounts are considered to be restricted cash.

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

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

### 9 Material transactions

Additional contributions of £5.3 million (26 weeks ended 3 April 2010: £10.0 million) were made in the period to the Marston's PLC Pension and Life Assurance Scheme. The retirement benefit accounting surplus of £13.9 million (net) has arisen through changes in the inflation rate from RPI to CPI, changes in other actuarial assumptions and increases in asset values. The accounting valuation of the pension arrangements remains sensitive to movements in actuarial assumptions.

There were no significant related party transactions during the period (26 weeks ended 3 April 2010: none).

### 10 Capital commitments

Capital expenditure authorised and committed at the period end but not provided for in this interim financial information was £8.8 million (at 2 October 2010: £9.2 million).

### 11 Contingent liabilities

There have been no material changes to contingent liabilities since 2 October 2010.

### 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 £11.9 million, being 2.10p (2010: 2.10p) per ordinary share, has been proposed and will be paid on 30 June 2011 to those shareholders on the register at the close of business on 3 June 2011. This interim financial information does not reflect this dividend payable.

## NOTES

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

The Group set out in its 2010 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 19 May 2011.

### **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.