18 May 2017

MARSTON'S PLC
INTERIM RESULTS FOR 26 WEEKS ENDED 1 APRIL 2017

A high quality pub and beer business continuing to deliver growth

- **Revenue and earnings growth despite late Easter**

	Underlying			**Statutory**	
Revenue	**£440.8m**	**Up 3%**		**£451.5m**	**Up 2%**
Profit before tax	**£33.7m**	**Up 3%**		**£36.7m**	**Up 61%**
Earnings per share	**4.8p**	**Up 4%**		**5.2p**	**Up 24%**

  - Revenue and earnings growth despite Easter falling later this year in second half
    - Easter impact on profit before tax estimated at £1.5 million
  - Statutory profit before tax up 61% reflecting positive movement in valuation of swaps
  - Leverage maintained at 5.0x, fixed charge cover improved to 2.6x

- **Improving quality of pub estate**
  - Average profit per pub up 3% in first half year
  - Four pubs and bars opened
  - Three lodges opened, taking estate to over 1,000 rooms

- **Market-leading beer business continues to demonstrate growth**
  - Strong brand portfolio continues to outperform market
  - Further market share growth, with 26% share of premium bottled ale and 19% share of premium cask ale

- **Interim dividend up 3.8% to 2.7p per share**

- **Acquisition of Charles Wells Brewing and Beer Business for £55 million** (see separate announcement)
  - Transaction to be funded from the proceeds of an equity placing to raise 9.9% of issued share capital announced today (see separate announcement)

- **Current trading (for 30 weeks incorporating Easter) remains encouraging**
  - Destination and Premium like-for-like sales up 1.6%; operating margins in line with last year
  - Taverns like-for-like sales up 1.7%; Leased like-for-like profits up 2%
  - Own-brewed beer volumes up 2%
  - On track to open 23 pubs and bars and 8 lodges in current financial year
  - Acquisition of three Pointing Dog Premium pubs in May and agreement to purchase seven Destination and Premium pubs

Commenting, Ralph Findlay, CEO said:

"Marston's has been transformed over the last 10 years by the consistent implementation of our established strategy. In that time, we have built around 200 pubs on new sites representing 60% of the Destination estate today, and we have developed a leading premium pubs and bars business. The Taverns estate has been repositioned, having sold around 1,000 pubs and introduced pioneering franchise-style agreements designed for community pubs. In Brewing, we lead the premium ale market and benefit from a growing contribution from craft beers and international licensed brands, including premium European lager brands.

"Our market position will be enhanced by the acquisition of Charles Wells Brewing and Beer Business and we remain confident our strategy will continue to create value for shareholders."

ENQUIRIES:

Marston's PLC Tel: 020 7457 2020 (today)
01902 329516 (thereafter)
Ralph Findlay, Chief Executive Officer
Andrew Andrea, Chief Financial and Corporate Development Officer

Instinctif Partners Tel: 020 7457 2020
Justine Warren
Matthew Smallwood

An audio webcast of the results presentation will be available at http://webcast.instinctif.tv/886-1178-17748/en on 18 May 2017

NOTES TO EDITORS

- Marston's is a leading pub operator and independent brewer.
- It has an estate of 1,565 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, Wainwright, Lancaster Bomber and Hobgoblin. The beer portfolio also includes Banks's, Jennings, Wychwood, Ringwood, Brakspear and Mansfield beers.
- Marston's employs around 13,500 people.
- The underlying results reflect the performance of the Group before exceptional and other adjusting items. The Directors consider that these figures provide a more appropriate indication of the underlying performance of the Group.
- Leverage is the ratio of net debt excluding lease financing to underlying EBITDA.
- Both leverage and fixed charge cover are calculated on a MAT basis.

GROUP OVERVIEW

We are pleased to report solid progress, with both revenue and earnings growth in the period despite the later timing of Easter, which will fall in the second half this year having fallen in the first half of 2016. The estimated operating profit impact of the late Easter is around £1.5 million.

Total underlying revenue increased by 2.8% reflecting like-for-like growth in our pubs, the positive impact of new openings and growth in our beer brands. Group operating margins were slightly behind last year, but adjusting for the Easter impact, underlying operating margin was in line with last year in our Destination and Premium pubs and ahead in both our Leased and Brewing businesses.

Underlying operating profit of £71.0 million (2016: £70.5 million) was up 0.7%.

Underlying profit before tax was up 2.7% to £33.7 million (2016: £32.8 million), principally reflecting the contribution from new pub-restaurants and a strong Brewing performance. Basic underlying earnings per share for the period increased by 4.3% to 4.8 pence per share (2016: 4.6 pence per share).

On a statutory basis, profit before tax was £36.7 million (2016: £22.8 million) and earnings per share were 5.2 pence per share (2016: 4.2 pence per share). The year-on-year change principally reflects the positive movement in the fair value of interest rate swaps in the period.

Operating cash flow of £60.0 million is lower than last year principally reflecting movements in working capital which are expected to fully reverse in the second half year.

Net debt at the period end was £1,322 million. Excluding property leases with freehold reversion entitlement, the ratio of net debt to underlying EBITDA was 5.0 times at the period end (2016: 5.0 times) which is expected to reduce over time as the business grows and our long-term debt amortises. In addition, fixed charge cover improved to 2.6 times (2016: 2.5 times).

In a separate statement released today we have announced the exchange of contracts to acquire the Charles Wells Brewing and Beer Business for a cash consideration of £55 million, plus working capital adjustments. The business incorporates a portfolio of well-known brands including Bombardier, Youngs and McEwans ale, together with the UK distribution rights for Estrella Damm, the Catalan lager. The acquisition is consistent with our strategy of focussing on premium beer brands with local provenance, as well as providing opportunities for growth in the developing free trade market. Additionally, the acquisition further strengthens Marston's presence in London and the South East and presents a platform to expand into Scotland. The acquisition is expected to complete in June 2017 and will be financed from the proceeds of an equity placing announced today, which represents 9.9% of Marston's share capital.

Since the half-year end, we have entered into a five year agreement to become the exclusive distributor to Punch B, comprising a portfolio of c.1,355 leased and tenanted pubs nationwide, with effect from September 2017. This follows our winning a similar contract earlier this year to exclusively distribute to Hawthorn Leisure's c.250-strong pub estate in England and Wales.

The Company also announced today the agreement to acquire 7 pubs to enhance our Destination and Premium estate for a consideration of £13 million with a refurbishment investment of £3 million. In addition, in May the company acquired three Pointing Dog premium bars for a total consideration of £8 million of which £7 million will be deferred into 2019.

Outlook and Dividend

We have had a solid start to the second half year, including the important Easter trading period. In the 30 weeks to 29 April in Destination and Premium like-for-like sales are up 1.6% and in Taverns like-for-like sales are up 1.7%. Leased profits are up 2% and year-to-date own brewed beer volumes are up 2%.

We remain confident of achieving our targets for the full financial year and are on track to complete our new-build and lodge expansion plans, as outlined below. We are pleased to declare an interim dividend of 2.7 pence per share representing a 3.8% increase on 2016.

Strategy and market

These Interim Results demonstrate continued proof of our strategy, with robust like-for-like sales growth and margins.

The wider eating and drinking out sector has been the focus of increasing competition, with growth in the number of new openings and high levels of investment. Against this backdrop Marston's is relatively well positioned. We have taken steps to mitigate our exposure to these changing sector dynamics with our new openings being targeted deliberately in areas of relatively limited competition and measured against disciplined returns criteria. Furthermore, our new openings are mainly freehold, reducing exposure to future rent increases.

We continue to maintain a good balance between food-led destination and wet-led community pubs, as we recognise that there is a place in the market for both.

As has been well documented, the sector faces continued pressure from rising costs related to Government policies and the impact of the weaker pound on import costs. We have protected a significant proportion of our cost base through long-term relationships with suppliers and fixed price contracts, actively managing the risk to our margins.

We remain focused on delivering sustainable growth and maximising return on capital, with six key components to our strategy as described below.

Allocation of growth capital

In 2017 we expect to open around 20 pub-restaurants, eight lodges and three Premium bars in addition to the acquisition of the three Pointing Dog and seven Destination and Premium pubs referred to above.

In 2018, we intend to maintain the current level of growth capital overall and plan to increase lodge openings to around 10 per year and Premium bars to around five per year, whilst altering the rate of pub-restaurant openings correspondingly to around 15 per year. There is no change to targeted return on investment criteria.

We will continue to review acquisition opportunities which are consistent with our strategy and disciplined returns criteria.

1. **Operating a high quality pub estate.**

We operate a pub estate that caters for a broad range of customers, with flexible operating models. As a consequence we ensure that we have the right consumer offer, accompanied by the most appropriate operating model, to maximize sales and profits for each individual pub. The key elements of this are as follows:

- **Destination and Premium - 377 pubs.** Our Destination pubs offer family dining and great value in a relaxed pub environment. We aim to retain strong pub values while reflecting modern tastes and trends in a fast moving and competitive market. We operate several formats depending upon local preferences: Marston's "Two for One", "Milestone Rotisserie", "Milestone Carvery" and "Generous George", allowing us to have the right consumer offer in each pub.

  Our Pitcher & Piano bars and Revere bars and pubs offer premium food and drink in attractive, often iconic town centre and suburban locations.

- **Taverns - 823 pubs.** Our community pubs are great 'locals' with a more traditional pub ambience in strong locations. The contribution of the licensee, together with strong community engagement, are critical to the success of the pub with entertainment, teams and games often at the heart of the pub's activities.

- **Leased – 365 pubs.** These distinctive pubs benefit from a high degree of independence and committed licensees. The leased model, with longer-term assignable agreements, attracts skilled entrepreneurs who build value through developing their own businesses. We contribute through our expertise in attracting the right lessee, dealing in a fair manner and providing business support.

2. **Targeting pub growth: building pub-restaurants and Premium pubs.**

New pub-restaurants. In our Destination business, we have opened over 200 pub-restaurants in the last 10 years, representing around 60% of the current Destination estate. These pubs offer family dining at reasonable prices and generate high turnover, with target sales of £25,000 per week and a food sales mix of around 60%. This year we have opened four new-build pub-restaurants in the first half year, and remain on target to open 23 in the current financial year. We have a strong pipeline of sites with visibility into 2019.

Competition and differentiation are key considerations. We operate in a market with significant investment in casual dining, fast food and restaurants, therefore our pub-restaurant investment is targeted in areas that are less exposed to intense competition, particularly outside London and city centres. We benefit from the broad appeal of the "pub" brand which occupies a unique position in the market and has demonstrated longevity.

New Premium pubs. In recent years we have invested in, and developed our skills and expertise in our Premium pub business, comprising Pitcher & Piano and Revere. In the second half year, we will be opening in Harrogate, Leeds and Sheffield, the latter being a Pitcher & Piano. In addition, in May of this year we acquired the Pointing Dog Group, comprising three premium dining pubs in Sheffield, Cheadle Hulme and Bakewell which will be integrated into Revere. Going forward, we will seek to grow the premium estate by around five sites per annum.

Development of the franchise model. We pioneered the introduction of franchise-style agreements in the pub sector. We believe that the franchise operating model in community pubs creates the best experience for our customers and is the most flexible and attractive model for licensees. It is our intention to convert most of our pubs in the Taverns business to this model over time and we continue to review the feasibility of rolling out the franchise model into the Destination estate.

During the period we have taken operational responsibility for 22 pubs from New River Retail. These pubs will be operated under our franchise model on a 15 year lease arrangement.

3. Increased investment in rooms

We operate around 1,050 rooms across our Destination and Premium pub estate, including 16 lodges. Accommodation acts as a highly complementary income stream to an existing pub. Organic room income has been consistently strong with double-digit sales growth for each of the last four years and we anticipate similar trends in the future with growth in leisure and business visitors.

New lodges. Looking forward, we expect accommodation to be increasingly important to our investment plans, and we are acquiring sites for development this year and thereafter. The combination of pub-restaurant with an adjacent lodge is attractive in the context of increasing business and leisure travel.

4. Offering the best consumer experience: quality, service, value and innovation.

Quality of food and drink. Given the pace of change and competition in the sector, we prioritise quality and target a food offer with appeal spanning a broad range of age groups and demographics. As previously reported, we have introduced Pizza Kitchens, Milestone Rotisserie and Smokehouse into our pub estate as well as updating traditional pub offers such as the Carvery to ensure they are relevant to all customers, young and old. We continue to develop our offers to ensure we can remain attractive to all customers both now and in the future.

Similarly, we are seeing constant change in trends in beer, wines, spirits and non-alcoholic drinks. Growth in premium drinks continues, with strong consumer interest in new brands and styles, including non-alcoholic drinks. In our Taverns business we are creating the community pubs of the future, incorporating changes to the drinks category ensuring our community pubs are attractive to younger customers, without alienating our more traditional clientele.

We are also utilising the benefits of the integrated model, with our pub and brewing teams working closely together to improve our understanding of the drinks category and deliver growth across the Group. Initiatives such as “Masters of Cask” and “Drinks Doctors” between the teams are helping to define optimum ranging in our pubs and enhance the category knowledge in our brewing sales teams.

Service. We measure service on a pub-by-pub basis through a combination of internal and external mechanisms. We are in the process of investing significantly in high speed broadband and state of the art EPOS equipment which will provide us with better customer information and contribute to improved service. We also continue to make focussed developments in our digital plans, having developed in house: “Sentifeed” a social media listening tool, “Tap-In” an app based customer loyalty scheme and “Nudge” an application to develop engagement and performance of our pub teams. Although in early stages of release, all three are providing positive results.

Value. Value for money is a key element of our offer. We do not aim to offer the lowest prices in the market but aim to offer a fantastic experience that represents great value for money. Our approach to pricing is to offer “everyday” pricing rather than recourse to heavy discounting and vouchering activity, which has been prevalent in the sector. We believe this approach is preferred by our customers and demonstrated by our continued outperformance of the market over the last three years.

5. Leadership in the UK beer market.

The UK beer market is evolving with consumers seeking a wider choice of beers with local provenance and taste, including craft beers. The off-trade continues to grow, with the strongest growth in the premium bottled ale segment and the Craft Beer category.

Our established strategy is well positioned in respect of these trends. We have a wide portfolio of beers from our own five breweries, a national distribution network and a local approach to beer brand management. The acquisition of the Charles Wells Brewing and Beer Business and the Charles Wells brewery in Bedford, announced today, will further consolidate our leading position in this regard. Around 1 in 4 premium bottled ales and 1 in 5 premium cask ales in the UK are Marston’s brands. Premium ales now account for around 72% of sales and the mix of sales to the off-trade is 56%.

Our position as category leaders has been recognised across the industry, most recently by being awarded the Publican National Cask Ale Supplier of the Year for the third year in succession. Our own annual publications, the Cask Ale Report and Premium Bottled Ale Report, continue to be highly valued by both our on-trade and off-trade customers, for insight into current and future market trends.

Our largest brand, Hobgoblin, is the most followed beer brand on social media, and in a recent YouGov survey, Hobgoblin was voted the third most recognised beer brand in the UK, only sitting behind two global beer brands. It remains after nine years the “unofficial Beer of Halloween”.

We also relaunched the Marston’s beer brand in 2017, repositioned to be more attractive to younger consumers under the marketing banner “From Burton with Love”. Although it remains early days, the consumer feedback has been strong and we have gained new national listings for “61 Deep” Pale Ale and “Pearl Jet” Stout.

Outside our own ale brands, collaboration brands also form part of our strategy. We have the UK licences for Shipyard, Warsteiner and Krusowice brands and in cider we have the licence for Kingstone Press Cider. All have performed extremely well in the year, and of particular note, Shipyard is now the number 2 craft beer in the UK.

We also have a highly experienced and talented Brewing and Logistics Team, who ensure that we are operating at maximum cost efficiency. In addition, we undertake extensive contract services work on behalf of a broad range of competitors who also recognise the benefits of working in partnership with us. In 2016 we invested in additional warehousing at the Marston’s Brewery in response to the growth in our own brands, but also the contract business.

As well as driving strong organic growth, we have successfully integrated the acquisition of Thwaites’ beer business into the organisation, with earnings slightly ahead of our expectations, and the transformation of Wainwright to be one of our fastest growing brands.

6. Our People – 'The Place to Be"

Marston's employs around 13,500 people and, although many businesses claim that 'people are our most important asset', it is the case that nothing makes a bigger difference to our business than our people.

We want Marston's to be 'The Place to Be' for our customers but also for all our employees. We have continued to invest in our People Support teams, with senior appointments in Talent Development and Internal Communications. We have reviewed and reinvigorated our approach to ways of working, aiming to modernise and build on the excellent values and culture the business has developed over many years.

PERFORMANCE AND FINANCIAL REVIEW

	Underlying revenue		Underlying operating profit		Margin	
	2017	2016	**2017**	2016	**2017**	2016
	£m	£m	**£m**	£m	**%**	%
Destination and Premium	**202.6**	193.9	**34.6**	33.5	**17.1**	17.3
Taverns	**118.0**	115.9	**24.1**	24.3	**20.4**	21.0
Leased	**25.8**	26.3	**13.9**	13.9	**53.9**	52.9
Brewing	**94.4**	92.6	**10.4**	10.0	**11.0**	10.8
Group Services	**-**	-	**(12.0)**	(11.2)	**(2.7)**	(2.6)
Group	**440.8**	428.7	**71.0**	70.5	**16.1**	16.4

As highlighted above, the reported numbers have been impacted by the later timing of Easter, which falls in the second half of this year. In addition, as we guided in our 2016 Preliminary Results, the segmental revenue and profits for the prior year have been restated to reflect the movement of pubs between segments, details of which are provided in the footnote below.

Destination and Premium

Total revenue increased by 4.5% to £202.6 million reflecting the continued strong performance of our new-build pub-restaurants and growth in like-for-like sales. Underlying operating profit of £34.6 million was up 3.3% (2016: £33.5 million). Profit per pub is in line with last year.

Total like-for-like sales were 1.1% above last year.

Reported operating margin of 17.1% is slightly below last year, but taking into account the Easter impact, underlying operating margins are in line with last year. This has been achieved through a disciplined approach to discounting, without recourse to significant vouchering, and tight cost management.

Taverns

Total revenue increased by 1.8% to £118.0 million, principally reflecting the continued conversion of pubs to our franchise model. Operating profit was down 0.8% on last year, principally reflecting the Easter timing impact and disposals. Profit per pub was up 3% on last year.

In our managed and franchised pubs like-for-like sales were up 1.1%.

Operating margin was 0.6% below last year at 20.4%, reflecting the impact of the later Easter and of franchise conversions.

Leased

Total revenue decreased by 1.9% to £25.8 million and underlying operating profit of £13.9 million was in line with last year. The performance of the core estate was strong with rental income per pub up 2%. Operating margin of 53.9% was up 1.0%, reflecting a higher mix of rental income and sales from premium products. Profit per pub was up 3% on last year.

Brewing

Total revenue increased by 1.9% to £94.4 million, primarily reflecting continued growth in ale volumes. Underlying operating profit increased by 4.0% to £10.4 million.

Overall ale volumes were up 1% on last year despite the impact of Easter, reflecting continued market outperformance and market share gains as described above.

Operating margin was 0.2% up on last year at 11.0%, reflecting the benefits of a strategy focussed on increasing our mix of premium beer sales.

Capital expenditure and disposals

Capital expenditure was £79.7 million in the first half year (2016: £72.9 million) including £40.0 million on new pubs. We expect that capital expenditure will be around £145 million this financial year, including around £75 million for the construction of at least 20 pub-restaurants, 3 Revere bars and 8 lodges.

Proceeds of £33.2 million of cash have been received from the sale of 20 pubs and other assets, including £26.8 million of leasing transactions.

Financing

During the period the Group entered into a new £320 million bank facility to March 2022, with an additional £40 million accordion facility at improved terms. This facility, together with a long-term securitisation of approximately £820 million and the lease financing arrangements described below, provide us with an appropriate level of financing headroom for the medium term. The Group has sufficient headroom on both the banking and securitisation covenants and also has flexibility to transfer pubs between the banking and securitisation groups.

In recent years, the Group has entered into lease financing arrangements which have a total value of £261 million as at 1 April 2017. This financing is a form of sale and leaseback agreement whereby the freehold reverts to the Group at the end of the term at nil cost, 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.

Net debt excluding lease financing of £1,061 million at 1 April 2017 is slightly higher than last year. Operating cash flow of £60.0 million is behind last year principally due to working capital timing which is expected to reverse by the end of the full year.

For the period ended 1 April 2017 the ratio of net debt before lease financing to underlying EBITDA was 5.0 times (2016: 5.0 times). It remains our intention to reduce this ratio over time, principally through EBITDA growth generated from our new-build investment programme.

Pensions

The deficit on our final salary scheme was £19.4 million at 1 April 2017 which compares to the £34.0 million deficit at the year end. This movement is principally due to the fall in liabilities as a consequence of the increase in corporate bond yields.

Taxation

The underlying rate of taxation of 18.1% in 2017 is below the standard rate of corporation tax primarily due to credits in respect of deferred tax on property.

Non-underlying items

Statutory profit after tax is £30.1 million (2016: £23.9 million) which is stated after a net non-underlying credit of £2.5 million after tax. This includes credits of £0.9 million in respect of the change in the rate assumptions used in calculating our onerous lease provisions and £4.0 million in respect of the mark-to-market movement in the fair value of certain interest rate swaps. These are offset by charges of £0.3 million in respect of the net interest on the net defined benefit pension liability and £1.4 million from the write-off of the unamortised finance costs in respect of our old bank facility. The revenue of £10.7 million and expenses of £10.9 million in respect of the ongoing management of the pubs from the portfolio disposal in December 2013 have also been included within non-underlying items. Additionally there is a charge of £0.5 million relating to the tax on these non-underlying items.

Footnote: Historical impact of pub segment changes

	H1 2016 Original £m	FY 2016 Original £m	H1 2016 Change £m	FY 2016 Change £m	H1 2016 Revised £m	FY 2016 Revised £m
Revenue						
Destination and Premium	204.8	440.8	(10.9)	(21.8)	193.9	419.0
Taverns	107.1	221.0	8.8	17.5	115.9	238.5
Leased	24.2	50.7	2.1	4.3	26.3	55.0
Brewing	92.6	193.3			92.6	193.3
Total	**428.7**	**905.8**	**-**	**-**	**428.7**	**905.8**
Operating profit						
Destination and Premium	34.8	90.2	(1.3)	(3.3)	33.5	86.9
Taverns	24.2	56.0	0.1	0.6	24.3	56.6
Leased	12.7	24.2	1.2	2.7	13.9	26.9
Brewing	10.0	23.2			10.0	23.2
Group Services	(11.2)	(20.9)			(11.2)	(20.9)
Total	**70.5**	**172.7**	**-**	**-**	**70.5**	**172.7**
Margin						
Destination and Premium	17.0%	20.5%			17.3%	20.7%
Taverns	22.6%	25.3%			21.0%	23.7%
Leased	52.5%	47.7%			52.9%	48.9%
Brewing	10.8%	12.0%			10.8%	12.0%
Total	**16.4%**	**19.1%**			**16.4%**	**19.1%**

Independent review report to Marston's PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Marston's PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Interim Report of Marston's PLC for the 26 week period ended 1 April 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Group balance sheet as at 1 April 2017;
- the Group income statement and Group statement of comprehensive income for the period then ended;
- the Group cash flow statement for the period then ended;
- the Group statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The Interim Report, including the interim financial statements, 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 Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim 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 complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of interim financial statements involves

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.

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 interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Birmingham
18 May 2017

a) The maintenance and integrity of the Marston's PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 and Accounts.

The Directors of Marston's PLC are listed in the Marston's PLC Annual Report and Accounts for 1 October 2016 with the exception of the following changes in the period: Matthew Roberts was appointed to the Board on 1 March 2017 and Neil Goulden retired from the Board on 24 January 2017. A list of current Directors is maintained on the Marston's PLC website: www.marstons.co.uk.

By order of the Board:

Ralph Findlay	Andrew Andrea
Chief Executive Officer	Chief Financial and Corporate Development Officer
18 May 2017	18 May 2017

GROUP INCOME STATEMENT (UNAUDITED)

for the 26 weeks ended 1 April 2017

		26 weeks to 1 April 2017			26 weeks to 2 April 2016			52 weeks to 1 October 2016
	Note	**Underlying items £m**	**Non-underlying items £m**	**Total £m**	Underlying items £m	Non-underlying items £m	Total £m	Total £m
Revenue	2, 3	**440.8**	**10.7**	**451.5**	428.7	15.6	444.3	937.3
Operating expenses		**(369.8)**	**(10.0)**	**(379.8)**	(358.2)	(18.9)	(377.1)	(773.4)
Operating profit	2, 3	**71.0**	**0.7**	**71.7**	70.5	(3.3)	67.2	163.9
Finance costs	4	**(37.6)**	**(1.7)**	**(39.3)**	(37.9)	-	(37.9)	(75.2)
Finance income	4	**0.3**	**-**	**0.3**	0.2	0.3	0.5	0.5
Movement in fair value of interest rate swaps	3, 4	**-**	**4.0**	**4.0**	-	(7.0)	(7.0)	(8.4)
Net finance costs	3, 4	**(37.3)**	**2.3**	**(35.0)**	(37.7)	(6.7)	(44.4)	(83.1)
Profit before taxation		**33.7**	**3.0**	**36.7**	32.8	(10.0)	22.8	80.8
Taxation	3, 5	**(6.1)**	**(0.5)**	**(6.6)**	(6.2)	7.3	1.1	(7.8)
Profit for the period attributable to equity shareholders		**27.6**	**2.5**	**30.1**	26.6	(2.7)	23.9	73.0
Earnings per share:								
Basic earnings per share	6			**5.2p**			4.2p	12.7p
Basic underlying earnings per share	6			**4.8p**			4.6p	13.9p
Diluted earnings per share	6			**5.2p**			4.1p	12.6p
Diluted underlying earnings per share	6			**4.7p**			4.6p	13.8p

GROUP STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the 26 weeks ended 1 April 2017

	26 weeks to 1 April 2017 £m	26 weeks to 2 April 2016 £m	52 weeks to 1 October 2016 £m
Profit for the period	**30.1**	23.9	73.0
Items of other comprehensive income that may subsequently be reclassified to profit or loss			
Gains/(losses) arising on cash flow hedges	**25.4**	(22.3)	(50.9)
Transfers to the income statement on cash flow hedges	**5.5**	5.8	11.3
Tax on items that may subsequently be reclassified to profit or loss	**(5.3)**	(0.2)	2.0
	25.6	(16.7)	(37.6)
Items of other comprehensive income that will not be reclassified to profit or loss			
Remeasurement of retirement benefits	**11.5**	(20.9)	(56.3)
Unrealised surplus on revaluation of properties	**2.3**	1.3	2.0
Reversal of past revaluation surplus	**(0.8)**	-	-
Tax on items that will not be reclassified to profit or loss	**(1.0)**	14.9	27.7
	12.0	(4.7)	(26.6)
Other comprehensive income/(expense) for the period	**37.6**	(21.4)	(64.2)
Total comprehensive income for the period	**67.7**	2.5	8.8

GROUP CASH FLOW STATEMENT (UNAUDITED)

for the 26 weeks ended 1 April 2017

	Note	**26 weeks to 1 April 2017 £m**	26 weeks to 2 April 2016 £m	52 weeks to 1 October 2016 £m
Operating activities				
Underlying operating profit		**71.0**	70.5	172.7
Depreciation and amortisation		**19.6**	20.1	40.0
Underlying EBITDA		**90.6**	90.6	212.7
Non-underlying operating items	3	**0.7**	(3.3)	(8.8)
EBITDA		**91.3**	87.3	203.9
Working capital movement		**(14.7)**	8.3	8.9
Non-cash movements		**(3.7)**	(4.1)	(7.9)
Decrease in provisions and other non-current liabilities		**(5.4)**	(2.7)	(4.7)
Difference between defined benefit pension contributions paid and amounts charged		**(3.9)**	(4.1)	(7.6)
Income tax paid		**(3.6)**	(3.4)	(9.8)
Net cash inflow from operating activities		**60.0**	81.3	182.8
Investing activities				
Interest received		**0.2**	0.3	0.7
Sale of property, plant and equipment and assets held for sale		**33.2**	27.1	45.9
Purchase of property, plant and equipment and intangible assets		**(79.7)**	(72.9)	(143.7)
Movement in other non-current assets		**0.6**	0.8	1.7
Net cash outflow from investing activities		**(45.7)**	(44.7)	(95.4)
Financing activities				
Equity dividends paid		**(27.0)**	(25.9)	(40.8)
Interest paid		**(38.1)**	(37.6)	(70.3)
Arrangement costs of bank facilities		**(3.1)**	-	-
Arrangement costs of other lease related borrowings		**(1.7)**	(1.2)	(2.8)
Purchase of own shares		**-**	-	(0.1)
Proceeds from sale of own shares		**0.1**	0.2	0.9
Repayment of securitised debt		**(13.8)**	(13.1)	(26.7)
Repayment of bank borrowings		**(263.0)**	-	-
Advance of bank borrowings		**290.0**	60.0	13.0
Capital element of finance leases repaid		**(0.1)**	-	(0.1)
Advance of other lease related borrowings		**22.6**	22.1	40.7
Net cash (outflow)/inflow from financing activities		**(34.1)**	4.5	(86.2)
Net (decrease)/increase in cash and cash equivalents	8	**(19.8)**	41.1	1.2

GROUP BALANCE SHEET (UNAUDITED)

as at 1 April 2017

	Note	**1 April 2017 £m**	2 April 2016 £m	1 October 2016 £m
Non-current assets				
Goodwill		**227.5**	227.5	227.5
Other intangible assets		**36.8**	37.3	37.3
Property, plant and equipment	7	**2,240.1**	2,154.2	2,199.4
Other non-current assets		**9.8**	11.3	10.4
Deferred tax assets		**7.7**	9.9	16.7
		2,521.9	2,440.2	2,491.3
Current assets				
Inventories		**29.8**	28.3	28.7
Trade and other receivables		**85.7**	74.7	85.0
Cash and cash equivalents*	8	**165.8**	231.9	185.6
		281.3	334.9	299.3
Assets held for sale		**4.9**	18.8	6.6
Current liabilities				
Borrowings*	8	**(148.0)**	(212.5)	(176.9)
Derivative financial instruments		**(32.3)**	(31.5)	(38.0)
Trade and other payables		**(186.3)**	(183.9)	(194.9)
Current tax liabilities		**(4.4)**	(3.5)	(3.6)
Provisions for other liabilities and charges		**(4.4)**	(4.8)	(4.3)
		(375.4)	(436.2)	(417.7)
Non-current liabilities				
Borrowings	8	**(1,339.9)**	(1,291.9)	(1,278.1)
Derivative financial instruments		**(173.5)**	(184.7)	(202.7)
Other non-current liabilities		**(0.4)**	(1.2)	(0.6)
Provisions for other liabilities and charges		**(29.4)**	(35.1)	(34.5)
Deferred tax liabilities		**(77.0)**	(83.3)	(77.5)
Retirement benefit obligations		**(19.4)**	(1.6)	(34.0)
		(1,639.6)	(1,597.8)	(1,627.4)
Net assets		**793.1**	759.9	752.1
Shareholders' equity				
Equity share capital		**44.4**	44.4	44.4
Share premium account		**334.0**	334.0	334.0
Revaluation reserve		**622.7**	626.8	623.1
Capital redemption reserve		**6.8**	6.8	6.8
Hedging reserve		**(140.1)**	(144.8)	(165.7)
Own shares		**(113.2)**	(116.2)	(113.7)
Retained earnings		**38.5**	8.9	23.2
Total equity		**793.1**	759.9	752.1

* Cash and cash equivalents includes £120.0 million (1 October 2016: £120.0 million) drawn down under the liquidity facility and borrowings includes the corresponding liability (note 8).

GROUP STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the 26 weeks ended 1 April 2017

	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 2 October 2016	44.4	334.0	623.1	6.8	(165.7)	(113.7)	23.2	752.1
Profit for the period	-	-	-	-	-	-	30.1	30.1
Remeasurement of retirement benefits	-	-	-	-	-	-	11.5	11.5
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	(1.9)	(1.9)
Gains on cash flow hedges	-	-	-	-	25.4	-	-	25.4
Transfers to the income statement on cash flow hedges	-	-	-	-	5.5	-	-	5.5
Tax on hedging reserve movements	-	-	-	-	(5.3)	-	-	(5.3)
Property revaluation	-	-	2.3	-	-	-	-	2.3
Property impairment	-	-	(0.8)	-	-	-	-	(0.8)
Deferred tax on properties	-	-	0.9	-	-	-	-	0.9
Total comprehensive income	-	-	2.4	-	25.6	-	39.7	67.7
Share-based payments	-	-	-	-	-	-	0.2	0.2
Sale of own shares	-	-	-	-	-	0.5	(0.4)	0.1
Disposal of properties	-	-	(2.9)	-	-	-	2.9	-
Tax on disposal of properties	-	-	0.6	-	-	-	(0.6)	-
Transfer to retained earnings	-	-	(0.5)	-	-	-	0.5	-
Dividends paid	-	-	-	-	-	-	(27.0)	(27.0)
Total transactions with owners	-	-	(2.8)	-	-	0.5	(24.4)	(26.7)
At 1 April 2017	**44.4**	**334.0**	**622.7**	**6.8**	**(140.1)**	**(113.2)**	**38.5**	**793.1**

for the 26 weeks ended 2 April 2016

	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 4 October 2015	44.4	334.0	616.0	6.8	(128.1)	(118.7)	28.5	782.9
Profit for the period	-	-	-	-	-	-	23.9	23.9
Remeasurement of retirement benefits	-	-	-	-	-	-	(20.9)	(20.9)
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	4.0	4.0
Losses on cash flow hedges	-	-	-	-	(22.3)	-	-	(22.3)
Transfers to the income statement on cash flow hedges	-	-	-	-	5.8	-	-	5.8
Tax on hedging reserve movements	-	-	-	-	(0.2)	-	-	(0.2)
Property revaluation	-	-	1.3	-	-	-	-	1.3
Deferred tax on properties	-	-	10.9	-	-	-	-	10.9
Total comprehensive income/(expense)	-	-	12.2	-	(16.7)	-	7.0	2.5
Share-based payments	-	-	-	-	-	-	0.2	0.2
Sale of own shares	-	-	-	-	-	2.5	(2.3)	0.2
Disposal of properties	-	-	(1.3)	-	-	-	1.3	-
Tax on disposal of properties	-	-	0.4	-	-	-	(0.4)	-
Transfer to retained earnings	-	-	(0.5)	-	-	-	0.5	-
Dividends paid	-	-	-	-	-	-	(25.9)	(25.9)
Total transactions with owners	-	-	(1.4)	-	-	2.5	(26.6)	(25.5)
At 2 April 2016	**44.4**	**334.0**	**626.8**	**6.8**	**(144.8)**	**(116.2)**	**8.9**	**759.9**

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 1 October 2016, with the exception of new standards and interpretations that were only applicable from the beginning of the current financial year, and a revised presentation of provisions for other liabilities and charges and the net interest on the net defined benefit asset/liability.

The audited financial statements for the 52 weeks ended 1 October 2016 contain details of the new standards and interpretations now applicable to the Group. The adoption of these standards and interpretations has had no impact on the interim financial information.

In the prior period provisions for other liabilities and charges were originally presented wholly within non-current liabilities in the balance sheet. Amounts due within one year have now been represented within current liabilities to better reflect the timing of the amounts falling due and to be consistent with the current period presentation.

In the prior period the net interest on the net defined benefit asset/liability was presented within underlying items. This has now been represented within non-underlying items to better reflect the nature of this item and to be consistent with the current period presentation.

The deferred tax balances as at 2 April 2016 that were originally presented on a gross basis in the balance sheet have been represented on a net basis to better reflect the offsetting requirements of IAS 12 'Income Taxes' and to be consistent with the current period presentation and that in the financial statements for the 52 weeks ended 1 October 2016.

The financial information for the 52 weeks ended 1 October 2016 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 1 April 2017 and the comparatives to 2 April 2016 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, but not yet applicable, will have a significant impact on the financial statements for the 52 weeks ending 30 September 2017.

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

Underlying revenue by segment	**1 April 2017 £m**	2 April 2016 £m
Destination and Premium	**202.6**	193.9
Taverns	**118.0**	115.9
Leased	**25.8**	26.3
Brewing	**94.4**	92.6
Group Services	**-**	-
Underlying revenue	**440.8**	428.7
Non-underlying items	**10.7**	15.6
Revenue	**451.5**	444.3

Underlying operating profit by segment	**1 April 2017 £m**	2 April 2016 £m
Destination and Premium	**34.6**	33.5
Taverns	**24.1**	24.3
Leased	**13.9**	13.9
Brewing	**10.4**	10.0
Group Services	**(12.0)**	(11.2)
Underlying operating profit	**71.0**	70.5
Non-underlying operating items	**0.7**	(3.3)
Operating profit	**71.7**	67.2
Net finance costs	**(35.0)**	(44.4)
Profit before taxation	**36.7**	22.8

Underlying operating profit is a key measure of profitability used by the chief operating decision maker.

During the current period the Group changed the structure of its internal organisation in a manner that caused the composition of its operating segments to change. The results for the 26 weeks ended 2 April 2016 have been restated to reflect these changes.

3 NON-UNDERLYING ITEMS

In order to illustrate the underlying trading performance of the Group, presentation has been made of performance measures excluding those items which it is considered would distort the comparability of the Group's results. These non-underlying items comprise exceptional items and other adjusting items.

3 NON-UNDERLYING ITEMS (CONTINUED)

Exceptional items are defined as those items that, by virtue of their nature, size or expected frequency, warrant separate additional disclosure in the financial statements in order to fully understand the underlying performance of the Group. As management of the freehold and leasehold property estate is an essential and significant area of the business, the threshold for classification of property related items as exceptional is higher than other items.

Other adjusting items comprise the revenue and expenses in respect of the ongoing management of the remainder of the portfolio of pubs disposed of in the period ended 4 October 2014. The pubs subject to the management agreement no longer form part of the Group's core activities and the Group does not have the ability to make strategic decisions in respect of them. As such it is considered appropriate to exclude the results of these pubs from the Group's underlying results.

	1 April 2017 £m	2 April 2016 £m
Exceptional operating items		
Impact of change in rate assumptions used for onerous lease provisions	**(0.9)**	1.2
Non-core estate disposal and reorganisation costs	**-**	0.7
Relocation, reorganisation and integration costs	**-**	0.9
Tax advisory fees	**-**	0.5
	(0.9)	3.3
Other adjusting operating items		
Results in respect of the ongoing management of pubs in the portfolio disposal	**0.2**	-
	0.2	-
Non-underlying operating items	**(0.7)**	3.3
Exceptional non-operating items		
Net interest on net defined benefit asset/liability	**0.3**	(0.3)
Write-off of unamortised finance costs	**1.4**	-
Movement in fair value of interest rate swaps	**(4.0)**	7.0
	(2.3)	6.7
Total non-underlying items	**(3.0)**	10.0

Impact of change in rate assumptions used for onerous lease provisions
The update of the discount rate assumptions used in the calculation of the Group's onerous property lease provisions at the current period end resulted in a decrease of £0.9 million (2016: increase of £1.2 million) in the total provision.

Portfolio disposal of pubs
During the period ended 4 October 2014 the Group disposed of a portfolio of 202 pubs and subsequently entered into a four year lease and five year management agreement in respect thereof. A number of the pubs have since been removed from the leasing and management arrangements by the purchaser. During the current period the Group has also entered into new 15 year leases in respect of 22 of the properties. These properties have also been removed from the management agreement. The Group no longer has strategic control of the pubs still subject to the management agreement and they do not form part of its core activities. As such the results in respect of the ongoing operation and management of these pubs have been classified as a non-underlying item, comprised as follows:

	1 April 2017 £m	2 April 2016 £m
Revenue	**10.7**	15.6
Operating expenses	**(10.9)**	(15.6)
	(0.2)	-

Net interest on net defined benefit asset/liability
The net interest on the net defined benefit asset/liability in respect of the Group's defined benefit pension plan was a charge of £0.3 million (2016: credit of £0.3 million).

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

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 hedging 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 £4.0 million (2016: loss of £7.0 million) is shown as an exceptional item. In addition to this, a gain of £30.9 million (2016: loss of £16.5 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 non-underlying items amounts to £0.1 million (2016: £0.5 million). The deferred tax charge relating to the above non-underlying items amounts to £0.6 million (2016: credit of £1.6 million). In addition, there is a non-underlying deferred tax credit of £nil (2016: £1.1 million) in relation to the change in corporation tax rate (note 5).

During the prior period the Group agreed the tax treatment of certain items with HM Revenue & Customs. The tax credit of £4.1 million in respect of the additional tax relief claimed for previous periods was classified as a non-underlying item along with the associated advisory fees of £0.5 million.

NOTES

3 NON-UNDERLYING ITEMS (CONTINUED)

Prior period non-underlying items
During the period ended 5 October 2013 the Group commenced a restructuring of its pub estate and its operating segments. Costs in respect of this restructuring were incurred in the prior period.

During the prior period the redevelopment of the Group's head office building in Wolverhampton was completed along with a reorganisation of certain head office functions. Costs of £0.4 million were incurred in respect of temporarily relocating to alternative premises nearby during the period of redevelopment and in undertaking the reorganisation.

The Group also incurred reorganisation and integration costs of £0.5 million in the prior period as a result of the acquisition of the trading operations of Daniel Thwaites PLC's beer division in the period ended 3 October 2015.

4 FINANCE COSTS AND INCOME

	1 April 2017 £m	2 April 2016 £m
Finance costs		
Unsecured bank borrowings	**5.9**	6.1
Securitised debt	**23.3**	24.1
Finance leases	**0.5**	0.5
Other lease related borrowings	**7.1**	6.0
Other interest payable and similar charges	**0.8**	1.2
	37.6	37.9
Exceptional finance costs		
Net interest on net defined benefit asset/liability	**0.3**	-
Write-off of unamortised finance costs	**1.4**	-
	1.7	-
Total finance costs	**39.3**	37.9
Finance income		
Deposit and other interest receivable	**(0.3)**	(0.2)
	(0.3)	(0.2)
Exceptional finance income		
Net interest on net defined benefit asset/liability	**-**	(0.3)
	-	(0.3)
Total finance income	**(0.3)**	(0.5)
Movement in fair value of interest rate swaps		
Gain on movement in fair value of interest rate swaps	**(5.7)**	-
Loss on movement in fair value of interest rate swaps	**1.7**	7.0
	(4.0)	7.0
Net finance costs	**35.0**	44.4

5 TAXATION

The underlying taxation charge for the 26 weeks ended 1 April 2017 has been calculated by applying an estimate of the underlying effective tax rate for the 52 weeks ending 30 September 2017 of approximately 18.1% (26 weeks ended 2 April 2016: approximately 18.9%).

	1 April 2017 £m	2 April 2016 £m
Current tax	**4.4**	0.6
Deferred tax	**2.2**	(1.7)
	6.6	(1.1)

The taxation charge/(credit) includes a current tax credit of £0.1 million (2016: £0.5 million) and a deferred tax charge of £0.6 million (2016: credit of £1.6 million) relating to the tax on non-underlying items. In addition, there is a non-underlying deferred tax credit of £nil (2016: £1.1 million) in relation to the change in corporation tax rate. There is also a non-underlying current tax credit of £nil (2016: £3.7 million) and a non-underlying deferred tax credit of £nil (2016: £0.4 million) in relation to the additional tax relief claimed by the Group for previous periods following the agreement of the tax treatment of certain items with HM Revenue & Customs (note 3).

NOTES

6 EARNINGS PER ORDINARY SHARE

Basic earnings per share are calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding treasury shares and those held on trust for employee share schemes.

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 and other adjusting items. The Directors consider that the supplementary figures are a useful indicator of performance.

	1 April 2017		2 April 2016	
	Earnings £m	**Per share amount p**	Earnings £m	Per share amount p
Basic earnings per share	**30.1**	**5.2**	23.9	4.2
Diluted earnings per share	**30.1**	**5.2**	23.9	4.1
Underlying earnings per share figures				
Basic underlying earnings per share	**27.6**	**4.8**	26.6	4.6
Diluted underlying earnings per share	**27.6**	**4.7**	26.6	4.6

	1 April 2017 m	2 April 2016 m
Basic weighted average number of shares	**575.4**	574.4
Dilutive options	**5.8**	5.7
Diluted weighted average number of shares	**581.2**	580.1

7 PROPERTY, PLANT AND EQUIPMENT

	£m
Net book amount at 2 October 2016	2,199.4
Additions	86.7
Net transfers to assets held for sale and disposals	(24.5)
Depreciation, revaluation and other movements	(21.5)
Net book amount at 1 April 2017	**2,240.1**

	£m
Net book amount at 4 October 2015	2,122.6
Additions	71.9
Net transfers to assets held for sale and disposals	(22.4)
Depreciation, revaluation and other movements	(17.9)
Net book amount at 2 April 2016	**2,154.2**

The net profit on disposal of property, plant and equipment, intangible assets and assets held for sale was £7.8 million (2016: £4.2 million). A profit on disposal of £7.8 million (2016: £4.4 million) is included within the Group's underlying results.

Revaluation/impairment
During the current and prior period various properties were reviewed for impairment and/or material changes in value.

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

	1 April 2017 £m	2 April 2016 £m
Income statement:		
Revaluation loss charged as an impairment	**(4.0)**	-
	(4.0)	-
Revaluation reserve:		
Unrealised revaluation surplus	**2.3**	1.3
Reversal of past revaluation surplus	**(0.8)**	-
	1.5	1.3
Net (decrease)/increase in shareholders' equity/property, plant and equipment	**(2.5)**	1.3

NOTES

8 NET DEBT

Analysis of net debt	1 April 2017 £m	Cash flow £m	Non-cash movements and deferred issue costs £m	1 October 2016 £m
Cash and cash equivalents				
Cash at bank and in hand	**165.8**	(19.8)	-	185.6
	165.8	(19.8)	-	185.6
Debt due within one year				
Unsecured bank borrowings	**0.7**	30.0	(0.1)	(29.2)
Securitised debt	**(28.7)**	13.8	(14.7)	(27.8)
Finance leases	**(0.1)**	0.1	(0.1)	(0.1)
Other lease related borrowings	**0.1**	(0.1)	-	0.2
Other borrowings	**(120.0)**	-	-	(120.0)
	(148.0)	43.8	(14.9)	(176.9)
Debt due after one year				
Unsecured bank borrowings	**(287.4)**	(57.0)	1.6	(232.0)
Securitised debt	**(791.4)**	-	14.4	(805.8)
Finance leases	**(20.4)**	-	0.1	(20.5)
Other lease related borrowings	**(240.6)**	(22.5)	1.6	(219.7)
Preference shares	**(0.1)**	-	-	(0.1)
	(1,339.9)	(79.5)	17.7	(1,278.1)
Net debt	**(1,322.1)**	(55.5)	2.8	(1,269.4)

Other borrowings represent amounts drawn down under the securitisation's liquidity facility. During the period ended 4 October 2014 the facility's provider, the Royal Bank of Scotland Group plc, had its short-term credit rating downgraded below the minimum prescribed in the facility agreement and as such the Group exercised its entitlement to draw the full amount of the facility and hold it in a designated bank account. The corresponding balance of £120.0 million (at 1 October 2016: £120.0 million) held in this bank account is included within cash and cash equivalents. The amounts drawn down can only be used for the purpose of meeting the securitisation's debt service obligations should there ever be insufficient funds available from operations to meet such payments. As such these amounts are considered to be restricted cash.

Included within cash and cash equivalents is an amount of £0.6 million (at 1 October 2016: £0.6 million), which relates to a letter of credit with Royal Sun Alliance Insurance, an amount of £1.5 million (at 1 October 2016: £1.5 million), which relates to a letter of credit with Aviva, and an amount of £7.7 million (at 1 October 2016: £7.8 million), which relates to collateral held in the form of cash deposits. These amounts are also considered to be restricted cash.

In addition, any other 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	1 April 2017 £m	2 April 2016 £m
(Decrease)/increase in cash and cash equivalents in the period	**(19.8)**	41.1
Cash inflow from movement in debt	**(35.7)**	(69.0)
Change in debt resulting from cash flows	**(55.5)**	(27.9)
Non-cash movements and deferred issue costs	**2.8**	0.4
Movement in net debt in the period	**(52.7)**	(27.5)
Net debt at beginning of the period	**(1,269.4)**	(1,245.0)
Net debt at end of the period	**(1,322.1)**	(1,272.5)

Reconciliation of net debt before lease financing to net debt	1 April 2017 £m	2 April 2016 £m
Cash and cash equivalents	**165.8**	231.9
Unsecured bank borrowings (including bank overdrafts)	**(286.7)**	(314.2)
Securitised debt	**(820.1)**	(847.0)
Other borrowings	**(120.0)**	(120.0)
Preference shares	**(0.1)**	(0.1)
Net debt before lease financing	**(1,061.1)**	(1,049.4)
Finance leases	**(20.5)**	(20.7)
Other lease related borrowings	**(240.5)**	(202.4)
Net debt	**(1,322.1)**	(1,272.5)

NOTES

9 FINANCIAL INSTRUMENTS

The only financial instruments which the Group holds at fair value are derivative financial instruments, which are classified as at fair value through profit or loss or derivatives used for hedging.

Fair value hierarchy
IFRS 13 'Fair Value Measurement' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – inputs for the asset or liability that are not based on observable market data.

The table below shows the level in the fair value hierarchy within which fair value measurements have been categorised:

	1 April 2017				1 October 2016			
Liabilities as per the balance sheet	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	**-**	**205.8**	**-**	**205.8**	-	240.7	-	240.7

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior period.

The Level 2 fair values of derivative financial instruments have been obtained using a market approach and reflect the estimated amount the Group would expect to pay on termination of the instruments. The Group utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

The fair values of all non-derivative financial instruments are equal to their book values, with the exception of borrowings. The carrying amount less impairment provision of trade receivables, other receivables and trade loans, and the carrying amount of trade payables and other payables, are assumed to approximate their fair values. The carrying amount (excluding unamortised issue costs) and the fair value of the Group's borrowings are as follows:

	Carrying amount		**Fair value**	
	1 April 2017 £m	1 October 2016 £m	**1 April 2017 £m**	1 October 2016 £m
Unsecured bank borrowings	**290.0**	263.0	**290.0**	263.0
Securitised debt	**825.7**	839.5	**820.3**	845.9
Finance leases	**20.5**	20.6	**20.5**	20.6
Other lease related borrowings	**258.4**	235.8	**258.4**	235.8
Other borrowings	**120.0**	120.0	**120.0**	120.0
Preference shares	**0.1**	0.1	**0.1**	0.1
	1,514.7	1,479.0	**1,509.3**	1,485.4

10 SIGNIFICANT EVENTS AND TRANSACTIONS

Additional contributions of £3.9 million (26 weeks ended 2 April 2016: £4.5 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 2 April 2016: none).

Further detail regarding significant events and transactions that have taken place since 1 October 2016 is provided outside of the interim financial statements in the Group Overview and the Performance and Financial Review.

11 CAPITAL COMMITMENTS

Capital expenditure authorised and committed at the period end but not provided for in this interim financial information was £23.4 million (at 1 October 2016: £6.5 million).

12 CONTINGENT LIABILITIES

There have been no material changes to contingent liabilities since 1 October 2016.

13 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.

NOTES

14 EVENTS AFTER THE BALANCE SHEET DATE

An interim dividend of £15.5 million, being 2.7p (2016: 2.6p) per ordinary share, has been proposed and will be paid on 4 July 2017 to those shareholders on the register at the close of business on 26 May 2017. This interim financial information does not reflect this dividend payable.

On 17 May 2017 the Group exchanged contracts to acquire the beer and brewing business of Charles Wells for cash consideration of £55.0 million plus working capital adjustments. The acquisition is expected to complete in June 2017 and will be financed from the proceeds of an equity placing.

15 PRINCIPAL RISKS AND UNCERTAINTIES

The Group set out on pages 22 and 23 of its 2016 Annual Report and Accounts the principal risks and uncertainties that could impact its performance. These remain unchanged since the Annual Report and Accounts was published and are expected to remain unchanged for the second half of the financial year. These risks and uncertainties are summarised as follows:

- Disruption to key suppliers (logistics, food, drink) or shortage of essential commodities
- Changes in regulation impacting upon the cost of business or obstructing growth
- Breaches of health and safety or food hygiene regulations
- Network outage or denial of service
- Loss, theft or corruption of data
- Failure to attract or retain the best people
- Breach of financial covenants with lenders
- Inadequate funding of the pension scheme
- Incorrect reporting of financial results
- Unauthorised transactions

16 INTERIM RESULTS

The interim results were approved by the Board on 18 May 2017.

17 COPIES

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