5 December 2008

MARSTON'S PLC

PRELIMINARY RESULTS FOR THE PERIOD ENDED 4 OCTOBER 2008

Results demonstrate resilience of business model
and the tight control of costs in a difficult year for the industry

- Turnover up by 2% to £666.1 million (2007: £652.8 million)
- Total dividend for the year up 3.4% to 13.27 pence (2007: 12.83 pence)
- Net cash inflow from operating activities increased to £172.4 million (2007: £156.0 million)
- Underlying* basic earnings per share of 25.6 pence (2007: 26.2 pence)
  - basic earnings per share of 22.7 pence (2007: 27.9 pence)
- Marston's Inns and Taverns – food sales represent 36% of retail turnover
- Marston's Pub Company – operating margin increased to 48.3% (2007: 45.2%) reflecting integration benefits of Sovereign Inns and Eldridge Pope
- Marston's Beer Company – successful acquisition and integration of Ringwood and Wychwood Brewery; market share of premium ale brands continues to grow

* 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.

Ralph Findlay, Chief Executive, commented:

'We remain cautious about the immediate trading outlook but are confident that steps already taken in respect of capital expenditure and cost management are appropriate for the current environment and that our value-for-money offers will continue to perform well.

We have a good blend of skills and experience amongst our employees who will help us to continue to develop with the objective of being the leading pub operator and brewer in the country.'

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To access interviews with Ralph Findlay and Paul Inglett, which are available in video, audio and text, go to www.cantos.com. High quality images for the media to access and download free of charge are available from Visual Media Online at www.vismedia.co.uk

NOTES TO EDITORS

- Marston's is one of the UK's leading independent brewer and pub operators.
- It has an estate of circa 2,250 pubs and bars situated across England and Wales and is the UK's leading brewer of premium cask ales, including Marston's Pedigree and Jennings Cumberland Ale. The beer portfolio also includes Banks's, Brakspear, Hobgoblin, Mansfield and Ringwood beers.
- The estate comprises 1,743 tenanted or leased pubs, and 506 managed pubs including Marston's Tavern Table, Two for One and Pitcher & Piano.
- Marston's employs over 12,000 people throughout England and Wales.

Chairman's statement

Results

These results demonstrate the resilience of our business model in a difficult year for the industry. Continued investment in pub standards and in the marketing of our brands has helped our three trading divisions to make progress in this challenging market.

Turnover increased by 2.0% to £666.1 million (2007: £652.8 million) notwithstanding the smoking ban, the deteriorating economic climate and poor summer weather. Underlying operating profit of £161.6 million was 1.0% below last year (2007: £163.2 million) in the face of significant cost pressures.

Profit before taxation and exceptional items of £85.1 million (2007: £98.0 million) included an increase of £11.3 million in interest costs. The purchase of 8.7 million shares in December 2007 at a cost of £29.2 million completed the share buy-back programme initiated in early 2007. Profit before taxation after exceptional items was £76.2 million (2007: £94.7 million).

Underlying basic earnings per share of 25.6 pence was 2.3% below last year (2007: 26.2 pence).

Net debt at the year-end was £1,268.1 million and interest cover was 2.1 times (2007: 2.5 times). The net cash inflow from operating activities increased to £172.4 million (2007: £156.0 million).

Maintaining value-for-money for our consumers and the continuing promotion of a sustainable and fair basis for dealing with our tenants and lessees, contributed to our performance.

Over the last five years we have built over 50 new pubs and bars, mainly on greenfield sites; integrated successfully several acquisitions, including Eldridge Pope and Ringwood Brewery in 2007 and Wychwood Brewery (part of the acquisition of Refresh) in 2008; and sold over 400 pubs with limited growth prospects. We have extended our trading geography throughout England and Wales and have improved significantly the quality of our pub estate.

Dividend

The Board proposes an unchanged final dividend of 8.47 pence per share, bringing the total for the year to 13.27 pence per share, an increase of 3.4% compared to the full year dividend of 12.83 pence per share in 2007. The dividend has therefore increased by 24.1% over the last two years and by an average of over 12% per annum over the last 30 years.

Our policy is to maintain a dividend cover ratio of around two times over the medium term although the level of cover in any one year may vary.

The final dividend, if approved, will be paid on 30 January 2009 to those shareholders on the register at the close of business on 19 December 2008.

Strategy

The Group's strategic objectives are described in the Business Review. At the heart of our strategy is strong consumer appeal, leading to sound cash generation; investment of capital with good, sustainable returns; and tight management of costs.

Our financing strategy is to match our substantially freehold pub estate with long term debt at fixed rates of interest. To that end we completed a £330 million securitisation in November 2007. We have no refinancing requirements until August 2010 when our £400 million bank facility is due for renewal.

Cash generation remains a management priority. We expect net debt to reduce in the current financial year as a consequence of reducing capital expenditure by around £60 million and continued disposal of smaller pubs.

The Board

During the year we welcomed Neil Goulden as a Non-executive Director. Neil is shortly to become Chairman of The Gala Coral Group, of which he is currently Chief Executive. He was formerly Chief Executive of Allied Leisure plc (1995-2000), prior to which he held senior positions at Compass Group PLC and Ladbrokes PLC.

Peter Lipscomb retired from the Board in January 2008, and we thank him for his significant contribution to the development of the Group since he joined in 2000.

Outlook

Trading conditions remain difficult but we derive significant trading advantages from having a high quality pub estate, a flexible integrated business model and popular premium ale brands.

In a deteriorating economic environment we have taken steps to reduce our cost base and debt, but we expect a difficult year ahead. The increasing burden of government legislation and significant increases in alcohol taxation are unwelcome and pose significant challenges for our tenants, lessees and free trade customers.

In these market conditions, offering value for money in our pubs and to all of our customers is central to our trading strategy. This focus on value together with tight control of costs and the prudent management of debt is an appropriate response to the weak economy. We are concentrating on increasing our return on capital from existing assets and on sustaining consumer relationships.

We have a strong management team, many of whom have experienced testing market conditions before. I thank all of our employees for their hard work over the last year in difficult circumstances. We are confident that our strategy, market position and the efforts of our staff will increase shareholder value over the longer term.

David Thompson
Chairman
5 December 2008

BUSINESS REVIEW

Overview of results for the 53 weeks to 4 October 2008

Turnover increased by 2.0% to £666.1 million (2007: £652.8 million). Underlying operating profit of £161.6 million was 1.0% below last year (2007: £163.2 million). Profit before taxation and exceptional items was £85.1 million (2007: £98.0 million), 13.2% below last year, and underlying basic earnings per share was 25.6 pence (2007: 26.2 pence), 2.3% below last year.

Net debt at the year-end was £1,268.1 million (2007: £1,189.1 million).

The 2008 financial year saw the first full year of the smoking ban, a weakening economy and significant increases in input costs. Trading in the second half was also impacted by poor weather over the summer months. Overall however, the sales performance of our trading divisions was resilient as described in the divisional performance sections below.

Our preparations for the smoking ban included investment of approximately £20 million in outside areas; the disposal of pubs with the greatest exposure to the ban and limited growth potential; and the continued development of our food offers. The impact of the ban has been consistent with our expectations. In general, food-led businesses have performed more strongly than wet-led pubs; well-located pubs with good outside areas have performed better than those with limited amenities; and food sales have increased as drinks sales and income from gaming machines have declined.

The reduced operating margin of 24.3% (2007: 25.0%) reflects higher input costs and the change in sales mix, with food sales generating slightly lower margins than drinks sales and income from gaming machines. Energy, utilities, brewing ingredients and food prices increased by approximately £6 million in 2008 and, as previously anticipated, are forecast to rise by up to £12 million in 2009, although we now expect inflationary pressures to reduce from the second half of 2009. We aim to offset most of these increases through tight cost management.

In the current trading environment, we have sought to minimise any increase to the retail price of beer and food and to the wholesale price of beer. Operating costs have been reduced by improved purchasing terms with a range of suppliers, and through cutting overheads by combining training, credit control, trade marketing, finance and administration services of Marston's Beer Company and Marston's Pub Company to improve efficiency.

The exceptional cost of reducing overheads was around £4 million and the resulting cost savings are expected to be over £4 million per year from 2009 onwards.

The industry

We operate around 2,250 pubs in a UK pub sector comprising around 63,000 pubs. Our products account for approximately 9% of the UK ale market with our share of the premium ale market in pubs around 20%. Our share of the premium bottled ale market is approximately 18%, increasing from around 8% last year following the acquisition of the Wychwood Brewery.

Changes in consumer habits, the smoking ban and investment in pubs and pub food have altered the nature of pub usage. More pub visits by women, families and an increasingly mature population led to our development of the 'F' Plan in our managed pubs – an increased focus on food, females, families and 'forty/fifty-somethings'. We estimate that 65% of all pub visits in Marston's Inns and Taverns are food related, with food sales representing 36% of all retail sales.

Intensifying competition, the smoking ban, aggressive price discounting by supermarkets and the weak economy have led to increased polarisation in the market place. Some 2,000 pubs are expected to have closed during 2008, with a similar number likely to close in 2009. In anticipation of this trend Marston's Pub Company has churned its pubs aggressively in recent years and as a result we have a high quality estate. At the same time, we have been careful to ensure that rents are set at sustainable levels.

In brewing, 'real ale' has been increasing in popularity as consumers have become more interested in beers with taste and provenance. Marston's Beer Company offers an outstanding range of own beers from five different breweries and saw premium ale volumes increase by 17.5% in 2008.

Beer consumption in pubs has been declining overall for many years, but there has been consistent growth in the volume of beer sold in the off-trade. Marston's Beer Company is the largest supplier of premium bottled ale in the UK market and the largest brewer of organic ale.

The pub sector has become dominated by a small number of large, specialist pub operators in recent years. The Group is one of a small number of vertically integrated pub operators and brewers, and we believe that this business model has clear advantages. We have greater economies of scale, as we distribute to over 4,000 pubs and clubs; we brew our own ales and control our own supply chain; and we can employ overheads more efficiently as demonstrated by the creation of the 'Centre of Excellence' for Marston's Beer Company and Marston's Pub Company.

Business and Enterprise Committee Inquiry

The Department for Business, Enterprise & Regulatory Reform is currently investigating the response of pub companies to the recommendations of the 2004 Trade and Industry Select Committee (TISC) inquiry into the nature of the relationship between pub operators and their tenants and lessees.

Following the TISC inquiry, Marston's Pub Company issued a clear Code of Practice which has been approved by the British Institute of Innkeeping and we believe that we have complied with the recommendations of the Committee.

Beer duty

As part of the April 2008 Budget, the Chancellor of the Exchequer increased duty on beer by around 9% and introduced a formula whereby duty will increase by at least 2% more than inflation over the next two years. In the recent Pre-Budget Report, beer duty was increased by a further 8%.

This additional tax burden is extremely onerous for small owner managed businesses including pub tenants. In our view it is contributing to the increasing disparity in prices between pubs and the off-trade and is threatening the positive contributions that many pubs make to communities throughout the country. We strongly support industry bodies, including the British Beer & Pub Association, in campaigning for a reduction in beer duty through the launch of the 'Axe The Beer Tax' campaign.

Summary of strategic objectives

Our strategy has 6 key elements:

1. Target growth through the development of a national, high quality pub estate;
2. Develop greater food skills and extend our appeal to new customer groups;
3. Recruit skilled tenants and lessees better able to compete in a developing market;
4. Increase distribution of our ale brands;
5. Create greater value for shareholders through vertical integration; and
6. Match freehold assets with long term fixed rate financing.

In recognising that the general economic situation has changed significantly in recent months, our priorities for this coming year reflect a greater emphasis on managing the business in challenging conditions and on ensuring that when the trading environment does improve we are in a good position to benefit. Our priorities for 2009 are in 8 key areas as described below:

- **Optimising pricing and promotions.** Retail pricing throughout 2009 will reflect our continuing aim to offer outstanding value in all formats. Approximately 90% of our managed pubs offer promotions on food or drink, with around 35% of sales being promoted lines. Key trading periods such as Christmas will attract early booking discounts and other targeted promotions. We will also conduct range reviews to ensure that we are offering value by retailing good, price-competitive brands.

  In brewing, we are focused on building value through higher margin brands and trade channels, such as premium cask ale and premium bottled ale.

- **A focus on innovation and current consumer trends.** Our managed pub design continues to reflect contemporary styling including the use of open kitchens in new developments, with an emphasis on 'fresh' and 'freshly prepared'. Recent examples include the opening of Bluu Bar Brasserie, Moorgate London; Pitcher & Piano, Chester; and the Stag's Leap, Rugeley.

  The future development of our accommodation business will include partnerships with other lodge operators where appropriate. We have recently completed the refurbishment of rooms for accommodation in our managed pubs. Following the launch of online booking and the Marston's Inns website (www.marstonsinns.co.uk) we have seen steadily rising occupancy.

  Recent additions to our portfolio of ales give us access to an unrivalled range of beers to offer to consumers and retailers. During 2009, we will continue to exploit the strength of this portfolio in all areas of our business.

In 2008 we introduced a variable rent agreement suitable for high turnover food-led pubs. In 2009 we plan to offer more flexible new agreements including a variable rent agreement whereby rent is linked to sales volumes. We believe that this will prove attractive to tenants in smaller, wet-led pubs, and reduce risk for tenants. We have also conducted retail price-support trials in some wet-led tenanted pubs which contributed towards increasing trade where price reductions were accompanied by significant improvements in retail standards. These trials will be extended and incorporated in the development of new agreements.

- **A rigorous approach to pub standards**. Customer perceptions of the attractiveness and value of the 'pub experience' are strongly influenced by the level of attention paid to service, hygiene, and the standard of maintenance of the pub and external areas. Whilst not all of these factors are under our operational control in tenanted and leased pubs, we will emphasise their importance in tenant recruitment, training and communications.

- **Improved management of our beer brand portfolio.** We will extend the distribution of our range of ales such that all key brands will be available to all our managed pubs, tenants and lessees, and free trade customers. This will be to the benefit of the Banks's, Marston's and Mansfield brands as well as to those acquired more recently.

  In the off-trade our bottled ale portfolio will be focused on Marston's Pedigree, Marston's Old Empire, Hobgoblin, Wychcraft, Brakspear Oxford Gold, Ringwood Old Thumper and Jennings Cumberland Ale.

- **Tightly controlled costs and continued delivery of excellent customer service.** Combining certain support functions will reduce overheads by £4 million per year and further improve operational efficiency. New labour scheduling and stock control systems will benefit our managed pubs.

  The risk in energy and utility costs has increased significantly in recent years. We now have fixed electricity and gas contracts in our pubs until at least September 2010. We will also be able to manage energy usage more efficiently as all of our managed pubs will have automated electricity meters installed during 2009.

- **Ensure customer/consumer knowledge is current and meaningful.** We will continue to conduct regular quantitative and qualitative analysis to test customer/consumer opinion.

- **Aim to reduce net debt.** We will do this by reducing capital investment from £117 million in 2008 to below £60 million in 2009 whilst continuing to invest maintenance capital at historic levels. We will also target the selective disposal of smaller tenancies and leasehold sites and expect to sell 50-75 pubs and unlicensed properties during 2009.

- **Maintain high ethical and environmental standards.** The Company is an active supporter of a number of industry bodies and will continue to actively promote the responsible retailing of alcohol. The Company is a member of the 'FTSE4Good' Index and was recognised by the Carbon Trust for work on environmental standards.

Divisional performance

Marston's Inns and Taverns (506 managed pubs and bars)

The results for Marston's Inns and Taverns include the full year performance of 47 smaller managed pubs transferred to Marston's Pub Company during the second half of 2008. These 47 pubs have been included in the year end pub numbers for Marston's Pub Company.

Total turnover increased by 5.6 % to £388.3 million (2007: £367.8 million). Underlying operating profit was £67.2 million (2007: £66.7 million).

As anticipated, the sales mix was affected by the smoking ban and established market trends. Total like-for-like sales were 0.6% below last year, with like-for-like food sales up by 3.0% and wet sales down 2.6% on the same basis. Average turnover per pub increased by 2.9% to £14,100 per week.

Food sales represent 36% of total retail turnover (2007: 34%). Average spend per head on food was around £6, a slight increase on the previous year. The like-for-like volume of meals sold increased by 4%.

This strong sales performance was accompanied by robust gross margins. Net operating margin of 17.3% was 0.8% below last year, with good controls significantly mitigating higher costs associated with the change in sales mix, including food service costs and input cost inflation.

Food input cost inflation was approximately 6% in 2008, an increase of around £3 million. We expect the general rate of food inflation for 2009 to be around 3% and have recently negotiated a range of supply contracts on favourable terms.

Bar staff costs represent around 26% of turnover and were well controlled considering the extension of holiday entitlement for part-time employees and the change in sales mix. We expect further improvements from the second half of the 2009 financial year following the implementation of a new system which will facilitate refinements to be made to labour scheduling.

During 2008 we opened 16 new pubs or bars, including 12 community food-led pubs and 4 branded high street bars, investing £33 million in these mainly freehold sites. Over the last 5 years we have opened over 50 similar outlets, the majority being new-build pubs designed as part of new housing developments. The sites have been carefully selected and designed for optimal use of space both internally and externally, and for maximum operational efficiency. Food sales typically represent around 50% of turnover in these pubs.

Although return on capital from these investments remains high there has been a significant reduction in housing development by house builders and we have scaled back our plans accordingly. We expect to open 4 new outlets in 2009 and are buying new sites for future, rather than immediate, development. Prices paid for sites have eased over recent months.

Marston's Inns and Taverns offers around 800 bedrooms in over 50 outlets operated as 'Marston's Inns' (**www.marstonsinns.co.uk**). During the year the majority of rooms were completely refurbished to a very high standard and specification, including the provision of free Wi-Fi and installation of digital televisions with Freeview channels in all rooms. This investment together with the introduction of an online booking system, contributed to an increase in occupancy from around 50% to 65% and higher achieved room rates. We have acquired a number of sites for development as coaching inns in the future, and will continue to identify the potential for sites to be developed with existing lodge operators.

We have clear, strong value-for-money offers such as those in our 'Two for One' concept, and this has contributed to our performance. We have seen good growth in food sales and accommodation and are well positioned for current market conditions.

Marston's Pub Company (1,743 tenanted pubs)

Total turnover decreased by 7.2% to £186.4 million (2007: £200.9 million), including the impact of the disposal of a package of 279 tenanted pubs in the second half of 2007. Underlying operating profit decreased by 0.9% to £90.0 million (2007: £90.8 million).

The introduction of the smoking ban in 2007 has stimulated more tenants and lessees to develop their food offers, and this is reflected in a lower proportion of drinks sales and gaming machine income consistent with market trends. Marston's Pub Company has invested with tenants and lessees to anticipate this change in demand, and this is reflected in total rents increasing by 5.2% to an average of £26,000 per pub.

Operating margin was 48.3% (2007: 45.2%) reflecting integration benefits following the acquisitions of Sovereign Inns and Eldridge Pope in 2007, and the transfer of smaller managed pubs into the division during 2007. A further 47 managed pubs were transferred in the second half of 2008, the majority of which have subsequently been leased.

Like-for-like profit per pub was 1.7% below last year. This is a robust performance in a difficult trading environment, reflecting the high quality of our pub estate; a long term strategy of setting sustainable rents on the basis of shared risks and rewards; and the development of a wide range of benefits for retailers to promote sales generation and better cost management.

The actions taken in recent years in acquiring good quality pubs, the appointment of retailers with food development skills, and the disposal of pubs without long term growth prospects have contributed to our resilient performance. The pub market is polarising rapidly, as evidenced by the fact that the 83% of our estate which is let on the basis of substantive agreements is in growth, whilst the remainder is in decline overall.

Management of pubs which are not let on substantive agreements represents a significant challenge. These pubs are likely to be less well positioned and to have been most affected by the smoking ban, the economy and price competition from other retailers. As described earlier in the Business Review, we intend to introduce more flexible agreements which will reduce risk for capable operators of such pubs.

We are already investing in a significant level of support for all tenants and lessees. In 2008 this included continued development of online ordering; licensee training days through the 'Skills Bar' programme; access to Marston's payroll bureau to pay employees; and a 'web-builder' designed to enable retailers to design their own websites. More recently we launched an accommodation website specifically for tenants and lessees www.bedsattheinn.co.uk.

During 2008 we also invested around £2 million in rent alleviation and additional discounts where appropriate. We expect at least a similar level of support to be provided in 2009.

Each Business Development Manager (BDM) is responsible for around 48 pubs. This level of resource is above that of most other operators as we believe that sound business relationships are based on giving tenants and lessees more time and attention and better quality advice as a result. Our BDMs are also trained using external programmes from the British Institute of Innkeeping and our 'Pedigree People Programme'.

We continue to develop a wider range of value adding services for tenants and lessees, with the objective of making Marston's Pub Company the pre-eminent tenanted and leased pub operator in the market.

Marston's Beer Company

Total turnover increased by 8.7% to £91.4 million (2007: £84.1 million). Underlying operating profit was £16.1 million (2007: £17.4 million).

We continued to increase market share in a weak beer market which saw a decline of around 9% in on-trade beer volumes. Total volumes of own brewed beers increased by 5.0% and volumes of premium ale by 17.5% including the acquisitions of Ringwood and Wychwood Brewery.

Our strategy has been to focus on higher margin cask ale beers with a strong regional consumer franchise and to emphasise provenance. As a consequence, we have an outstanding range of ales in our portfolio including beers from Marston's, Banks's, Mansfield, Jennings, Ringwood, Brakspear and Wychwood.

We have also increased service and support levels in the free trade and in our commercial relationships with other pub companies. Examples include continued investment in beer quality technicians to raise beer keeping standards and a 'business solutions' approach to free trade customers. In 2008 we also launched 'Ontrader' which offers online support similar to that offered to tenants of Marston's Pub Company.

These initiatives contributed to a robust free trade volume performance which, although 4% below last year, was significantly ahead of the market.

Our market share of premium ale in the on-trade is around 20% and 18% in the premium bottled ale sector of the off-trade. We increased market share in both categories in 2008.

Operating margin was 17.6% (2007: 20.7%), a decline of 3.1% principally as a result of significant increases in malt, energy and fuel prices which impacted brewing and distribution costs. We intend to reorganise distribution routes in 2009 and implement a range of other cost saving measures.

It is our view that our portfolio of ale brands can benefit from the longer term growth in eating out in pubs and the continued growth of the off-trade. We continue to invest in advertising campaigns and sponsorships which include Marston's Pedigree being 'The Official Beer of England Cricket' together with a wide range of local radio, print and event sponsorships for our other regional brands. Marston's Beer Company's cricket sponsorship won the 'Sports Sponsorship of The Year' title at the prestigious Hollis Awards for 2008.

Financial review

	Turnover		Underlying operating profit (note 2)		Margin	
	2008	2007	**2008**	2007	**2008**	2007
	£m	£m	**£m**	£m	**%**	%
Marston's Inns and Taverns	**388.3**	367.8	**67.2**	66.7	**17.3**	18.1
Marston's Pub Company	**186.4**	200.9	**90.0**	90.8	**48.3**	45.2
Marston's Beer Company	**91.4**	84.1	**16.1**	17.4	**17.6**	20.7
Marston's Group Services	**-**	-	**(11.7)**	(11.7)	**(1.8)**	(1.8)
Group	**666.1**	652.8	**161.6**	163.2	**24.3**	25.0

Results for the 53 weeks to 4 October 2008

Group turnover increased by 2.0% to £666.1 million, as the benefit of acquisitions offset like-for-like sales marginally below last year. Underlying operating profit reduced by 1.0% to £161.6 million and underlying basic earnings per share fell by 2.3% to 25.6 pence per share.

Operating profit after exceptional items was £156.9 million, down 2.4% on the prior year, and basic earnings per share (after exceptional items) was 22.7 pence per share (2007: 27.9 pence per share).

Dividend

The proposed final dividend of 8.47 pence per share gives a total dividend for the year of 13.27 pence per share, an increase of 3.4% on the prior year. Dividend cover at the year-end is 1.9 times (2007: 2.0 times).

Capital expenditure

Capital expenditure was £117 million in 2008 and we expect this to reduce to below £60 million in 2009. The level of maintenance capital expenditure will be broadly similar to 2008, but investment capital will reduce primarily driven by a significant reduction in our new-build development programme as a result of curtailed investment by house builders limiting the availability of new sites.

Acquisitions

Ryland Thompson Limited (Refresh) was acquired on 2 April 2008 for a consideration (including acquisition fees) of £13.6 million. The acquired business was valued at £8.8 million. Goodwill arising on the acquisition was £4.8 million.

Disposals

We have continued to improve the quality of our estate through the disposal of smaller tenancies and leasehold sites which we believe in the longer term will not be financially viable. During the year we sold 43 such pubs and other properties for around £22 million, at prices marginally above book values. We will continue to dispose of pubs and property which we believe will no longer generate long-term sustainable growth or have higher alternative use values. We expect to achieve disposal proceeds of at least £20 million in 2009 and so far have completed or unconditionally exchanged on over £5 million of disposals at book value.

Share buy-backs

During the year the Group purchased 8.7 million Marston's shares at a total cost of around £29 million, fulfilling our commitment to £150 million of share buy-backs which we started in the previous financial year.

Financing

Net debt increased to £1,268.1 million at 4 October 2008, compared to £1,189.1 million at 29 September 2007. This increase is principally as a result of the significant capital investment across the Group and the share buy-backs referred to above.

We completed a £330 million securitisation tap in November 2007. We have no refinancing requirements until August 2010 when our £400 million banking facility is due for renewal. At the year-end £234 million of this facility was drawn and therefore we had £166 million of unutilised facilities.

For the period ended 4 October 2008 the ratio of net debt to EBITDA (before exceptional items) was 6.2 times and interest cover 2.1 times. As a result we met all of our key financing covenants and have a comfortable amount of headroom in both our securitisation and in our bank facility.

Net finance costs before exceptional items have increased by £11.3 million compared to the prior year, primarily as a result of the increased net debt.

At the year-end around 92% of our gross debt is effectively at fixed rates of interest with a blended cost of debt of approximately 6.1%.

Treasury, risk and internal controls

The Group regularly reviews its forecast short term and medium term cash flows, and excess cash is either placed on short term deposit or invested in deposits which are refundable on demand.

The vast majority of the Group's borrowings are now fixed through a combination of fixed rate securitised debt and interest rate swaps. The financial risks faced by the Group are managed in accordance with Board approved policies and are subject to regular internal review.

The banking and securitisation covenants are reviewed throughout the year as part of the internal reporting process with a focus on ensuring appropriate headroom is available. Every six months the financial position of the Group in respect of the securitisation covenants is reported externally to financial institutions and made available on the Group's website (www.marstons.co.uk). Operational compliance with all banking and securitisation covenants is managed and regularly reviewed by the treasury, risk and internal audit functions.

We have an ongoing programme to identify key operational and financial risks across the Group and, where possible, to mitigate the potential impact of those risks. The programme is managed by the treasury, risk and internal audit functions. This includes monitoring counterparty risk, which is mitigated through the use of three UK banking institutions for deposits in respect of cash and through a syndicated bank facility in respect of bank loans.

Pensions

The deficit on our final salary pension scheme was broadly unchanged at £37.9 million before tax (2007: £38.6 million), and £27.3 million after tax (2007: £27.8 million). This reflects the negative impact of poor investment returns and higher salary and inflation assumptions, broadly offset by a higher bond yield used to discount the pension liabilities and £15.4 million of top-up contributions paid into the scheme during the year.

We are carrying out a triennial valuation of the pension scheme in 2009 and the results will be reflected in the accounts for the year to September 2009.

Estate valuation

Our accounting policy is to revalue our assets on a regular basis and we revalued around 85% of our estate as a result of the refinancing we completed at the end of 2007.

There are a number of individual pubs where, in our view, the valuation has been permanently impaired. This reduction in valuations predominantly relates to pubs which we have identified for disposal or which are currently closed. As a result we have recognised a £4.9 million impairment charge, which is largely reflected in the revaluation reserve.

Taxation

The underlying rate of taxation (before exceptional items) has reduced to 18.3% from 21.0% in 2007. This is principally due to the favourable agreement of certain prior year tax issues and a tax credit relating to indexation on properties.

Exceptional items

There is an exceptional charge of £8.9 million (£7.7 million after tax). This comprises a non-cash cost of £4.2 million reflecting the movement in the fair value of certain interest rate swaps; a £3.9 million cost relating principally to the reorganisation of head office functions completed during the year, which will result in future savings of at least £4 million per year; and a £0.8 million write-off of aborted project fees in respect of investigating the possibility of converting the Group into a Real Estate Investment Trust which is now considered extremely unlikely in the foreseeable future following the Pre-Budget Report on 24 November 2008.

Current trading

Trading since the year-end has continued to be very challenging. Like-for-like sales in Marston's Inns and Taverns were 2.9% below last year for the 8 weeks to 29 November 2008 and we estimate that profits for Marston's Pub Company are similarly weaker compared to last year. Marston's Beer Company has continued to increase market share in a declining beer market, with volumes of owned brands ahead of last year.

We remain cautious about the immediate trading outlook but are confident that steps already taken in respect of capital expenditure and cost management are appropriate for the current environment, and that our value for money offers will continue to perform well.

We have a good blend of skills and experience amongst our employees who will help us to continue to develop with the objective of being the leading pub operator and brewer in the country.

GROUP INCOME STATEMENT

For the 53 weeks ended 4 October 2008

	2008			2007		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	**666.1**	**-**	**666.1**	652.8	-	652.8
Operating expenses	**(504.5)**	**(4.7)**	**(509.2)**	(489.6)	(2.5)	(492.1)
Operating profit	**161.6**	**(4.7)**	**156.9**	163.2	(2.5)	160.7
Finance costs	**(80.6)**	**-**	**(80.6)**	(68.0)	(0.8)	(68.8)
Finance income	**4.1**	**-**	**4.1**	2.8	-	2.8
Movement in fair value of interest rate swaps	**-**	**(4.2)**	**(4.2)**	-	-	-
Net finance costs	**(76.5)**	**(4.2)**	**(80.7)**	(65.2)	(0.8)	(66.0)
Profit before taxation	**85.1**	**(8.9)**	**76.2**	98.0	(3.3)	94.7
Taxation	**(15.6)**	**1.2**	**(14.4)**	(20.6)	8.2	(12.4)
Profit for the period attributable to equity shareholders	**69.5**	**(7.7)**	**61.8**	77.4	4.9	82.3

All results relate to continuing operations.

Earnings per share:

	2008	2007
Basic earnings per share	**22.7p**	27.9p
Basic earnings per share before exceptional items	**25.6p**	26.2p
Diluted earnings per share	**22.5p**	27.6p
Diluted earnings per share before exceptional items	**25.3p**	26.0p

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the 53 weeks ended 4 October 2008

	2008 £m	2007 £m
Profit for the period	**61.8**	82.3
(Expense)/income recognised directly in equity		
Cash flow hedges	**(38.3)**	15.6
Actuarial (losses)/gains on retirement benefits	**(16.8)**	27.4
Unrealised surplus on revaluation of properties	**-**	186.6
Reversal of past revaluation surplus	**(4.3)**	(21.7)
Tax on items taken directly to equity	**20.8**	(42.4)
Net (losses)/gains not recognised in the income statement	**(38.6)**	165.5
Total recognised income for the period	**23.2**	247.8

GROUP CASH FLOW STATEMENT
For the 53 weeks ended 4 October 2008

	2008	2007
	£m	£m
Operating activities		
Operating profit	**156.9**	160.7
Depreciation and amortisation	**43.0**	42.7
EBITDA*	**199.9**	203.4
Working capital and non-cash movements (including outflows on integration of acquisitions)	**(0.2)**	(30.1)
Difference between defined benefit pension contributions paid and amounts charged	**(16.4)**	(7.7)
Income tax paid	**(10.9)**	(9.6)
Net cash inflow from operating activities	**172.4**	156.0
Investing activities		
Interest received	**2.3**	1.9
Sale of property, plant and equipment and assets held for sale	**21.5**	102.0
Investment in plant and equipment for existing business	**(83.8)**	(100.3)
Purchase of new pubs/site developments	**(33.4)**	(46.0)
Movement in other non-current assets	**0.1**	(1.7)
Acquisition of subsidiaries, net of cash acquired	**(9.0)**	(113.9)
Repayment of debt of subsidiaries upon acquisition	**-**	(57.9)
Movement in available-for-sale investments	**-**	31.8
Net cash outflow from investing activities	**(102.3)**	(184.1)
Financing activities		
Equity dividends paid	**(35.8)**	(34.1)
Proceeds of ordinary share capital issued	**0.4**	1.1
Purchase of treasury shares	**-**	(115.5)
Purchase of own shares for Long Term Incentive Plan	**-**	(0.6)
Purchase of own shares for cancellation	**(29.2)**	(5.3)
Interest paid	**(78.6)**	(57.7)
Arrangement costs of new bank facilities and issue costs paid on securitised debt	**(7.9)**	(1.1)
Proceeds from issue of securitised debt	**330.0**	-
Repayment of securitised debt	**(15.9)**	(11.4)
Advance of loans	**-**	443.6
Repayment of bank loans	**(212.3)**	(155.0)
Settlement of debentures	**-**	(18.9)
Repayment of loan notes and loan stock	**(1.5)**	(2.2)
Capital element of finance leases repaid	**(0.1)**	(0.1)
Net cash (outflow)/inflow from financing activities	**(50.9)**	42.8
Net increase in cash and cash equivalents	**19.2**	14.7

Reconciliation of net cash flow to movement in net debt

Increase in cash and cash equivalents in the period	**19.2**	14.7
Decrease in available-for-sale investments	**-**	(31.8)
Cash inflow from increase in debt	**(100.2)**	(256.0)
Change in debt resulting from cash flows	**(81.0)**	(273.1)
Net debt acquired with subsidiaries	**(3.1)**	(22.1)
Non-cash movements and deferred issue costs	**5.1**	(0.2)
Movement in net debt in the period	**(79.0)**	(295.4)
Net debt at beginning of the period	**(1,189.1)**	(893.7)
Net debt at end of the period	**(1,268.1)**	(1,189.1)

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

GROUP BALANCE SHEET
As at 4 October 2008

	2008 £m	2007 £m
Assets		
Non-current assets		
Goodwill	**223.9**	217.8
Other intangible assets	**23.7**	9.7
Property, plant and equipment	**1,975.9**	1,934.3
Deferred tax assets	**47.7**	40.4
Other non-current assets	**24.7**	24.8
	2,295.9	2,227.0
Current assets		
Inventories	**19.0**	16.7
Assets held for sale	**15.9**	7.2
Trade and other receivables	**75.0**	69.4
Derivative financial instruments	**-**	2.4
Cash and cash equivalents	**60.1**	42.4
	170.0	138.1
Liabilities		
Current liabilities		
Borrowings	**(29.2)**	(97.9)
Derivative financial instruments	**(4.2)**	-
Trade and other payables	**(133.5)**	(119.3)
Current tax liabilities	**(21.5)**	(21.5)
	(188.4)	(238.7)
Non-current liabilities		
Borrowings	**(1,299.0)**	(1,133.6)
Derivative financial instruments	**(37.6)**	(1.6)
Pension commitments	**(37.9)**	(38.6)
Deferred tax liabilities	**(189.5)**	(195.2)
Other non-current liabilities	**(0.6)**	(0.4)
Provisions for other liabilities and charges	**(6.0)**	(8.5)
	(1,570.6)	(1,377.9)
Net assets	**706.9**	748.5
Shareholders' equity		
Equity share capital	**22.3**	23.0
Share premium account	**188.9**	188.5
Merger reserve	**41.5**	41.5
Revaluation reserve	**436.1**	438.4
Capital redemption reserve	**6.8**	6.1
Hedging reserve	**(27.1)**	0.5
Own shares	**(134.5)**	(135.3)
Foreign exchange reserve	**0.2**	-
Retained earnings	**172.7**	185.8
Total equity	**706.9**	748.5

NOTES

1 Accounting policies

Basis of preparation
The financial information for the 53 weeks ended 4 October 2008 (2007: 52 weeks ended 29 September 2007) has been extracted from the audited financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations adopted by the European Union and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally land and buildings, derivative financial instruments and share-based payments.

2 Segmental reporting

Primary reporting format – business segments

	4 October 2008					
	Marston's Inns and Taverns £m	**Marston's Pub Company £m**	**Marston's Beer Company £m**	**Marston's Group Services £m**	**Unallocated £m**	**Total £m**
Revenue	**388.3**	**186.4**	**91.4**	**-**	**-**	**666.1**
Operating profit before exceptional items	**67.2**	**90.0**	**16.1**	**(11.7)**	**-**	**161.6**
Exceptional items	**(0.7)**	**(0.7)**	**(1.9)**	**(1.4)**	**-**	**(4.7)**
Operating profit	**66.5**	**89.3**	**14.2**	**(13.1)**	**-**	**156.9**
Net assets	**974.7**	**1,090.5**	**140.6**	**12.2**	**(1,511.1)**	**706.9**

	29 September 2007					
	Marston's Inns and Taverns £m	Marston's Pub Company £m	Marston's Beer Company £m	Marston's Group Services £m	Unallocated £m	Total £m
Revenue	367.8	200.9	84.1	-	-	652.8
Operating profit before exceptional items	66.7	90.8	17.4	(11.7)	-	163.2
Exceptional items	(0.6)	(0.4)	(0.5)	(1.0)	-	(2.5)
Operating profit	66.1	90.4	16.9	(12.7)	-	160.7
Net assets	943.0	1,074.0	120.6	14.1	(1,403.2)	748.5

Unallocated comprises net debt, tax, derivatives and pension commitments.

3 Exceptional items

	2008 £m	2007 £m
Operating items		
Reorganisation and redundancy costs	**3.9**	-
Write-off of aborted project fees in respect of potential REIT conversion	**0.8**	-
Costs of reorganisation of newly acquired subsidiaries	**-**	2.5
	4.7	2.5
Non-operating items		
Movement in fair value of interest rate swaps	**4.2**	-
Write-off of unamortised finance costs following arrangement of new bank facilities	**-**	0.8
	4.2	0.8
	8.9	3.3

A reorganisation and redundancy programme was undertaken during the period.

Following the Pre-Budget Report on 24 November 2008, it is considered appropriate to write off all fees incurred to date in respect of a potential conversion of the Group to Real Estate Investment Trust (REIT) status.

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 £4.2m (2007: £nil) in the fair value of interest rate swaps, where hedge accounting has not been applied, is shown as an exceptional item.

The funding of the acquisition of Eldridge Pope during the prior period necessitated a renegotiation of the Group's borrowing facilities. As a consequence, unamortised finance costs were written off.

The current tax credit relating to the above exceptional items amounts to £1.4m (2007: £1.0m). The deferred tax credit relating to the above exceptional items amounts to £1.2m (2007: £nil). In addition, £1.4m has been charged as an exceptional item in the current period in relation to the phasing out of industrial buildings allowances. In the prior period, £7.2m was credited as an exceptional item in relation to the change in tax rate and abolition of balancing charges.

4 Taxation

Income statement	2008 £m	2007 £m
Current tax		
Current period	**20.1**	21.9
Credit in respect of tax on exceptional items	**(1.4)**	(1.0)
Adjustment in respect of prior periods	**(3.0)**	-
	15.7	20.9
Deferred tax		
Current period	**(2.4)**	(0.7)
Adjustment in respect of prior periods	**0.9**	(0.6)
Exceptional credit in respect of the change in tax rate and abolition of balancing charges	**-**	(7.2)
Exceptional charge in respect of the phasing out of industrial buildings allowances	**1.4**	-
Exceptional credit in respect of the movement in fair value of interest rate swaps	**(1.2)**	-
	(1.3)	(8.5)
Taxation charge reported in the income statement	**14.4**	12.4

5 Ordinary dividends on equity shares

	2008 £m	2007 £m
Paid in the period		
Final dividend for 2007 of 8.47p per share (2006: 7.06p)	**22.8**	21.5
Interim dividend for 2008 of 4.80p per share (2007: 4.36p)	**13.0**	12.6
	35.8	34.1

A final dividend for 2008 of 8.47p per share amounting to £22.9m has been proposed for approval at the annual general meeting, but has not been reflected in the financial statements.

This dividend will be paid on 30 January 2009 to those shareholders on the register at close of business on 19 December 2008.

6 Earnings per ordinary share

Basic earnings per share is 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.

Diluted earnings per share is calculated by adjusting the basic earnings per share to assume the notional exercise of the weighted average number of ordinary share options outstanding during the period. The effect of the dilutive options is to increase the weighted average number of shares by 2.5 million (2007: 2.5 million).

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

		2008			2007	
	Earnings £m	**Weighted average number of shares m**	**Per share amount p**	Earnings £m	Weighted average number of shares m	Per share amount p
Basic earnings per share	**61.8**	**271.9**	**22.7**	82.3	295.2	27.9
Diluted earnings per share	**61.8**	**274.4**	**22.5**	82.3	297.7	27.6
Underlying earnings per share figures:						
Basic earnings per share before exceptional items	**69.5**	**271.9**	**25.6**	77.4	295.2	26.2
Diluted earnings per share before exceptional items	**69.5**	**274.4**	**25.3**	77.4	297.7	26.0

7 Analysis of net debt

	2008 £m	Cash flow £m	Non-cash movements and deferred issue costs £m	Acquisitions £m	2007 £m
Cash and cash equivalents					
Cash at bank and in hand	**60.1**	17.7	-	-	42.4
Bank overdraft	**(5.6)**	1.5	-	-	(7.1)
	54.5	19.2	-	-	35.3
Debt due within one year					
Loan notes	**(8.1)**	1.5	-	(0.4)	(9.2)
Bank loans	**0.2**	72.6	(0.1)	(2.0)	(70.3)
Securitised debt	**(15.6)**	15.9	(20.3)	-	(11.2)
Finance leases	**(0.1)**	0.1	(0.1)	-	(0.1)
	(23.6)	90.1	(20.5)	(2.4)	(90.8)
Debt due after one year					
Bank loans	**(233.7)**	139.7	(0.2)	(0.7)	(372.5)
Securitised debt	**(1,065.2)**	(330.0)	25.7	-	(760.9)
Finance leases	**-**	-	0.1	-	(0.1)
Preference shares	**(0.1)**	-	-	-	(0.1)
	(1,299.0)	(190.3)	25.6	(0.7)	(1,133.6)
	(1,268.1)	(81.0)	5.1	(3.1)	(1,189.1)

Included within cash at bank and in hand is an amount of £3.9m (2007: £3.9m), which relates to a letter of credit with Royal Sun Alliance and is 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 include unamortised issue costs expected to be charged to the income statement within 12 months of the balance sheet date.

8 Movements in total equity

	2008 £m	2007 £m
Total equity at beginning of the period	**748.5**	653.2
Total recognised income and expense for the period	**23.2**	247.8
Dividends paid	**(35.8)**	(34.1)
Proceeds of ordinary share capital issued	**0.4**	1.1
Purchase/cancellation of own shares	**(29.2)**	(121.4)
Other movements	**(0.2)**	1.9
Net movement in total equity	**(41.6)**	95.3
Total equity at end of the period	**706.9**	748.5

9 Acquisitions

(a) Refresh

On 2 April 2008, the Group acquired 100% of Ryland Thompson Limited ('Refresh'). The acquisition has been accounted for under acquisition accounting principles and is therefore included in the consolidated balance sheet as at 4 October 2008.

	£m
Book value of net assets acquired	1.7
Fair value adjustments	7.1
Goodwill	4.8
Consideration (including acquisition fees)	**13.6**

The consideration comprises £12.9m of cash and £0.7m of loan notes. Under the terms of the acquisition £8.0m of the consideration had been paid at the period-end and the remaining £5.6m was paid on 6 October 2008. This deferred consideration is included within trade and other payables at 4 October 2008. In respect of the loan notes, £0.4m of the notes had been issued at the period-end and £0.3m of the notes were issued on 6 October 2008.

The attributed fair values are provisional. Fair value adjustments were made to the value of the Refresh brand of £13.6m, the acquired property, plant and equipment of £(0.6)m and deferred tax thereon of £(3.5)m. Goodwill held on the acquired balance sheet of £1.8m was also eliminated and a further £0.6m of acquired net liabilities were identified. The valuation of the acquired brewery was carried out by independent chartered surveyors Atisreal on an open market value basis.

The net cash outflow in respect of the acquisition of Refresh in the period to 4 October 2008 was:

	£m
Acquisition of equity	
Cash	7.6
Net cash held by subsidiary	-
Net cash outflow in respect of the acquisition	7.6

(b) Other acquisitions

On 1 February 2008, the Group acquired the free trade business of Hall & Woodhouse for cash consideration of £1.4m. The fair value of net assets acquired was £0.4m. The attributed fair values are provisional.

Notes:

a. The contents of this preliminary announcement, which do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985, have been extracted from the audited statutory accounts of the Group for the 53 weeks ended 4 October 2008, which will be filed with the Registrar of Companies in due course. The statutory accounts for the 52 weeks ended 29 September 2007 have been delivered to the Registrar of Companies. The independent auditors' report on these accounts is unqualified and does not contain any statements under Section 237(2) or (3) of the Companies Act 1985.

b. Subject to approval of the shareholders at the annual general meeting, the proposed dividend of 8.47 pence per share will be paid on 30 January 2009 to shareholders on the register at the close of business on 19 December 2008.

c. The annual report for the 53 weeks ended 4 October 2008 will be posted to shareholders in the week commencing 15 December 2008. Copies will be obtainable from Hudson Sandler Limited (020 7796 4133) or from The Company Secretary, Marston's PLC, Marston's House, Brewery Road, Wolverhampton, WV1 4JT.