REAL ALE | REAL QUALITY | REAL WELCOME

Marston's PLC Annual Report 2009

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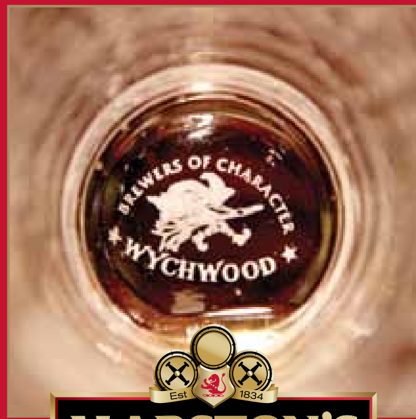
MARSTON'S
Est 1834

MARSTON'S
INNS AND TAVERNS

MARSTON'S
PUB COMPANY



MARSTON'S
BEER COMPANY

The Group is a leading independent brewing and pub retailing business operating a vertically integrated business model.

We operate around 2,200 pubs and bars situated across England and Wales, comprising 1,688 tenanted or leased pubs and 496 managed pubs at the heart of thriving local communities offering a welcoming environment and value for money on food and drink.

We operate five breweries — Banks's Brewery in Wolverhampton, Marston's Brewery in Burton upon Trent, Jennings Brewery in the Lake District, Ringwood Brewery in Hampshire and Wychwood Brewery in Oxfordshire.

Est 1834
MARSTON'S

REAL ALE | **REAL** QUALITY | **REAL** WELCOME

FINANCIAL HIGHLIGHTS

Revenue

09	645.1
08	666.1
07	652.8
06	595.5
05	556.1

£645.1m

Underlying* operating profit

09	147.4
08	161.6
07	163.2
06	152.3
05	137.6

£147.4m

Underlying* profit before tax

09	70.3
08	85.1
07	98.0
06	101.5
05	89.7

£70.3m

Dividend per share

09	7.1
08	9.5
07	9.2
06	7.7
05	7.0

7.1p

Underlying* earnings per share

09	13.4
08	18.3
07	18.8
06	17.1
05	14.9

13.4p

* 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.

Earnings and dividends per share have been restated to reflect the 4-for-1 share split in January 2007 and the impact of the issue of new shares under a rights issue in July 2009.

The comparatives for 2008 presented in the Chairman's Statement, Business Review and Financial Review are provided on a comparable 52 week basis, rather than the 53 weeks which was reported in the prior period.

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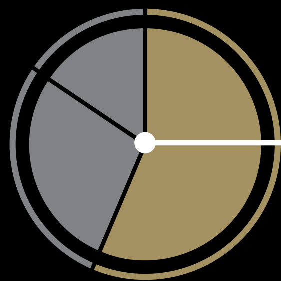
GROUP AT A GLANCE

MARSTON'S INNS AND TAVERNS

Group Revenue Share



57%

MORE ABOUT MARSTON'S INNS AND TAVERNS
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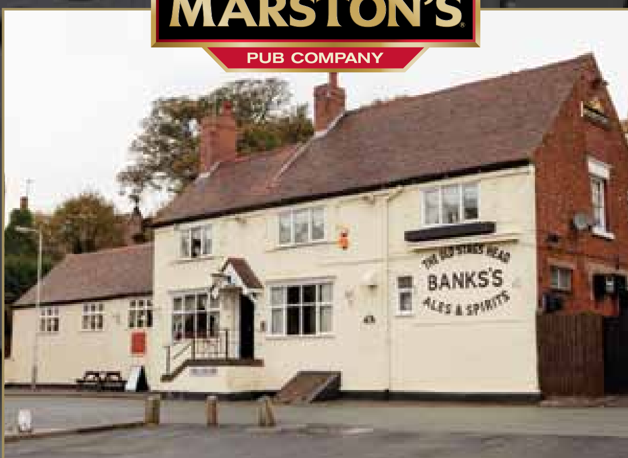
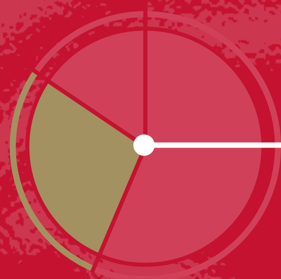
MARSTON'S PUB COMPANY



Group Revenue Share



27%

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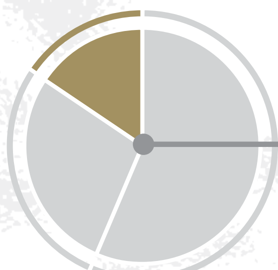
MARSTON'S BEER COMPANY

Group Revenue Share



16%

MORE ABOUT MARSTON'S BEER COMPANY
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Marston's Inns and Taverns is the managed pub division of Marston's PLC and as at 3 December 2009 had 496 pubs and bars spread across England and Wales.

The majority of the estate comprises community and food led pubs with a strong local customer base and an emphasis on value and quality. We have a range of brands, operating formats and offerings including:

- **Marston's Inns** — a collection of pubs with accommodation located across England and Wales.
- **Marston's Two for One** — when two adults each order a main course, the lower priced meal is free, all day, every day.
- **Tavern Table** — comfortable surroundings and a warm welcome with a varied selection of cask ales and freshly prepared food.
- **Milestone** — large destination pubs offering the ultimate food choice of a hearty pub restaurant menu alongside a traditional carvery.
- **Pitcher and Piano** — premium venue bars with their own unique identity, created from bespoke designs and menus.
- **Bluu** — a premium bar and brasserie serving quality wines, spirits, beers, handmade cocktails and fresh food.

Marston's Pub Company operates 1,688 tenanted and leased pubs (as at 3 December 2009). Our income is derived from the sale of beers, ciders, wines, spirits and soft drinks to the tenants and lessees of these pubs, from rent and a share of the income from gaming machines.

The self-employed tenants and lessees who run these pubs on a day to day basis derive their revenue from drink and food sales, gaming machines and accommodation. Our pubs are rented for between three and 21 years.

At Marston's Pub Company we aim to build strong relationships with our tenants and lessees so that we can work together to develop long term sustainable businesses. We also provide training and advice to our tenants and lessees. We are constantly seeking to offer value adding business solutions through our Business Development Managers, My Marston's Online and our Customer Service Team.

We seek to attract the best tenants and lessees to our pubs by offering a wide range of agreements and a flexible approach to the sharing of risk and reward.

Marston's Beer Company is the brewing division of Marston's PLC and focuses on premium cask and bottled beers with a strong consumer following and an emphasis on local provenance. Our brands include a wide range of classic English ales brewed in our five brand-led breweries:

- Marston's Brewery, Burton upon Trent, where our famous national flagship brand Marston's Pedigree is brewed alongside other beers such as Old Empire IPA and Burton Bitter.
- Banks's Brewery, Wolverhampton, brewing Banks's Bitter and Original, the West Midlands' favourite brands.
- Jennings Brewery, Cockermouth, producing Jennings beers such as Cumberland Ale, Cocker Hoop and Sneck Lifter.
- Ringwood Brewery, Hampshire, known for its premium cask beer range including Best Bitter, Fortyniner and Old Thumper.
- Wychwood Brewery, Witney is home to Hobgoblin, the Brakspear ale range and a comprehensive seasonal ale calendar.

We are committed to reducing our environmental footprint; recent initiatives have included introducing lightweight glass, recycling used cooking oil to power delivery vehicles and reducing the amount of water and energy we use.

CHAIRMAN'S STATEMENT
David Thompson

Our performance was creditable in a very challenging trading environment. The high quality of our national pub estate, popular ale brands, attractive consumer offers and a supportive approach to tenants and lessees helped the Group to demonstrate resilience, with momentum improving during the course of the year.

We have been successful in anticipating changes in consumer trends. Food sales increased to 38% of total retail sales in Marston's Inns and Taverns, and we have continued to increase market share in the beer market with volumes up by 8%. Our growth in the premium cask ale and premium bottled ale market segments was particularly encouraging.

Having raised £165.6 million through the rights issue in July 2009 we will continue to improve the quality of our pub estate through the development of large, family friendly, new-build pubs. This investment represents an attractive growth opportunity and is being implemented according to plan with around 15 new pubs scheduled to open in 2010. A further 45 new pubs are planned over the following two years.

Results

Revenue of £645.1 million was 1.4% below last year. Group operating margin of 22.8% compared with 23.9% in 2008. Operating profit before exceptional items (underlying) of £147.4 million was 5.7% below last year principally reflecting the weaker performance of Marston's Pub Company.

Profit before taxation and exceptional items was £70.3 million, 13.5% below last year and slightly above our forecast made at the time of the rights issue. After non-cash exceptional costs of £48.9 million as described in the Financial Review, profit before taxation and after exceptional items was £21.4 million.

Underlying basic earnings per share were 13.4 pence (2008: 18.3 pence).

THE REAL FACTS
£165.6 MILLION RAISED THROUGH RIGHTS ISSUE IN 2009

Financing

Our debt financing is principally long-term debt at low rates of interest secured on freehold pub assets. Following the extension of our bank facility announced earlier in the year we have no refinancing requirements until August 2013.

We completed the rights issue in July 2009, raising net proceeds of £165.6 million. At least £140.0 million of the proceeds will be invested in building and developing 60 managed pubs over the next three years.

Net debt of £1,099.3 million as at 3 October 2009 was £168.8 million below last year (2008: £1,268.1 million). Excluding the impact of the rights issue and associated expenditure on new-build pubs net debt would have been approximately £15 million below last year.

Dividend

The proposed final dividend of 3.70 pence per share gives a total dividend for the year of 7.14 pence per share, compared to 9.52 pence per share in the prior year. Following the rights issue the Board has rebased the final dividend for 2009 and also expects to rebase the interim dividend in 2010. The Board's policy remains to target dividend cover of around 2 times over the medium-term although the level of cover in any one year may vary. The Board believes that the dividend has been rebased to an appropriate and sustainable level, with dividend growth a key priority.

"The high quality of our national pub estate, popular ale brands, attractive consumer offers and a supportive approach to tenants and lessees helped the Group to demonstrate resilience."

Legislative matters

On 22 October 2009 the Office of Fair Trading (OFT) issued its assessment of the super-complaint lodged by the Campaign for Real Ale (CAMRA) regarding the UK pub industry. The OFT did not find evidence that supply ties cause competition problems with an adverse impact on consumers. In particular, the OFT established that there is competition and choice in the market and noted that any strategy which compromises the competitive position of lessees of pub owning companies would not be sustainable, as their commercial interests are aligned with those of lessees. As a consequence the OFT decided that further investigation is not warranted.

We believe the industry has made significant progress in addressing the issues identified by the Business, Innovation and Skills Committee (BISC). Marston's Pub Company continues to develop its relationship with tenants and lessees, and operates in a transparent manner with the objective of a fair division of risk and reward between the Group and its licensees. We are clear that the principles underlying existing agreements, including the tie, and fair, sustainable rents, confer real benefits to tenants. The industry has developed a new Code of Practice in response to the BISC report which we will implement. Further details are included in the Business Review.

The Board

Andrew Andrea was appointed Group Finance Director in March 2009, replacing Paul Inglett who left the Group after 17 years to pursue other opportunities. Andrew joined the Group in 2002 and has held various financial, commercial and operational positions in the business.

Outlook

The outlook for the UK economy remains uncertain. Whilst we are still cautious, immediate cost inflation pressures have eased and we are well positioned to meet the forthcoming challenges.

Our strategy is differentiated and appropriate for current market conditions and trends, and we have a defined growth agenda for each of our trading divisions. In our managed pubs, growth is being driven by an accelerated new-build programme and a clear focus on value for money. In our tenanted and leased pubs we have introduced an innovative programme to improve trading in weaker pubs and to further develop the estate as a whole. In brewing, our market leading brand portfolio is benefiting from growing consumer interest in high quality regional cask ales. We are focused on the management of costs, cash flow and return on capital.

I thank all of our employees for their hard work over the last year. We are confident that our strategy, market position and the contributions of our employees will increase shareholder value.

David Thompson
Chairman
3 December 2009

| **1.** The Pheasant, Ashford. | **2.** Pint of Banks's. | **3.** Enjoying a meal at a Milestone Carvery. |

INVESTING IN THE MARSTON'S ESTATE

A key element of the Group's growth strategy has been the recommencement of the new-build programme in the managed pub estate.

£140 million of the net proceeds from the successful rights issue is being allocated specifically to acquire and develop around 60 new-build sites over the next three years.

The Group is the market leader in developing new-build pubs and has a highly skilled and experienced in-house team specialising in this area, with a proven and robust site appraisal process.

The current market environment is allowing the Group to take advantage of the increased availability of suitable sites, reduced competition and a fall in average site acquisition and construction costs.

Building on Success

Marston's Inns and Taverns continually evolves its design and construction processes, which have contributed to such a strong record of new-build pubs achieving their sales and profit targets.

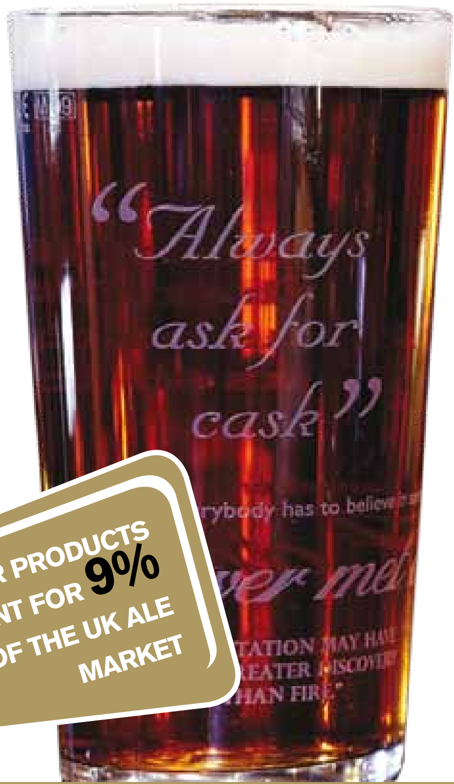
New-build sites will be evident in highly visible main arterial route locations and in areas of high population density. Our Two for One and Milestone concepts are ideal retail offers for these sites, striking a balance between value, scale and speed of service — manifesting itself in profit maximisation.

As the only managed pub estate embarking on such a large programme of quality, family-focused new-build pubs, having a pipeline of excellent sites is critical. The Group pays the most competitive fees to property agents in the country, to identify a successful property with development potential and seeing it through to completion.

Region	Tenanted Pubs	Managed Pubs	
1. North East	75	19	94
2. East Midlands	403	84	487
3. South West	62	68	130
4. South East	41	48	89
5. West Midlands	509	124	633
6. North West	242	41	283
7. Wales	158	14	172
8. Yorkshire	192	52	244
9. London	3	30	33
10. East Anglia	3	16	19
	1,688	496	2,184

Breweries

1. Jennings Brewery
2. Marston's Brewery
3. Banks's Brewery
4. Wychwood Brewery
5. Ringwood Brewery



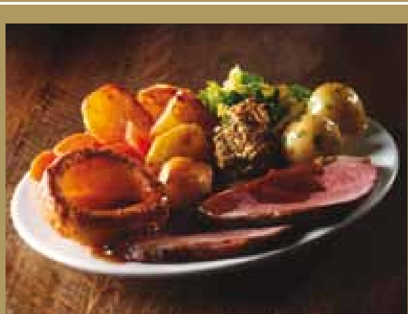
THE REAL FACTS

OUR PRODUCTS ACCOUNT FOR 9% OF THE UK ALE MARKET

Featured Developments

Kingfisher, Oldham

Opened in February 2009, the Kingfisher exceeds customer expectations, providing full table service in an intimate 'pubby' environment as well as offering the ultimate food deal — two main meals for the price of one in a great canalside location.



Honey Bee, Aylesbury

The construction of this pub is the template for all subsequent new build pubs, which can be used for different concept requirements going forward. The format of the pub is Two for One and has been a long sought after investment for the local area of Fairford Leys.

Stepping Stones, Ashbourne

Located on the A52 near to a new shopping and business complex and adjacent to a Travelodge, it is ideally positioned to benefit from the Peak District tourist trade as well as building loyalty from local customers.

QUESTIONS & ANSWERS
with Ralph Findlay

Q. How important are pubs today in local communities?

A. Pubs play a vital role in community cohesion and social life in Britain. They are frequently one of the few remaining places where communities come together to socialise. Pubs provide a relaxed, convivial, and safe regulated environment and therefore have an important role to play in promoting responsible behaviour.

Pubs in rural communities are under particular pressure and have responded by increasing the range of services they supply to local communities, such as post offices and shops. Organisations such as "Pub is the Hub" support the role pubs play in communities and provide advice as to how this can be developed further.

Pubs raise more than £120 million a year for local and national charities and brewers invest over £50 million a year in communities.

Q. How is Marston's helping tenants and lessees?

A. Tenants and lessees operate small businesses. Many small businesses have been under considerable pressure over the last year because of the economic downturn, but also before that because of other factors such as the smoking ban, duty increases and increased regulation. We recognise that our relationship with our tenants is not just about the rewards, but also about sharing the risks. The economic environment is now more challenging for tenants than two years ago and in response we have developed a range of more flexible agreements and offer comprehensive business support. Details of these are described in the Business Review.

Q. Does the pub industry still offer exciting career opportunities?

A. Marston's is a major employer with around 12,000 employees and has held the nationally recognised Investors in People Award (IIP) since 1995. We recognise the importance of training and developing all of our staff and have well designed and structured training programmes throughout the Group. One example is our "keyholder" programme which develops pub staff to take on more responsibility. The experience and confidence gained allows keyholders to become our pub managers of the future. These programmes are being expanded for those interested in being our chefs of the future or moving into area management.

Within our brewery and head office functions we offer all the training opportunities one would expect of a major employer including our own in-house supervisory and management development programmes externally accredited by the Chartered Management Institute.

So whether you are a member of bar staff, our supply chain team, a graduate fresh out of college or any other employee who is seeking a career rather than just a job we can and will offer you the chance to maximise your potential.

Q. How important is the industry to UK PLC?

A. Britain's pubs and brewers directly employ 600,000 people and support a further 550,000 jobs. The sector generates £28 billion in economic activity, and it has been estimated that Government revenue from the production and sales of beer equate to over £9 billion. Over 2 million pints of beer are exported every day to more than 120 countries generating £400 million in export revenue. The unique nature of pubs means that they make an important contribution to the UK tourism industry.

Q. How can Government best help the industry?

A. Britain's brewing and pub sector is under pressure. This is largely a function of current economic uncertainty and fragile consumer confidence. There are four key priorities that we believe the Government should concentrate on:

1. Enforce existing laws rather than create new ones and work in partnership with the industry to tackle alcohol misuse and antisocial behaviour.
2. Reduce the rate of beer tax.
3. Avoid regulation that penalises responsible consumers and encourage consumers to make informed choices and accept personal responsibility.
4. Support the British pub as the vital part of local communities across Britain.

Q. What will the industry look like in five years' time?

A. We believe that the image of pubs as leisure venues will be enhanced over time. Competition will continue to be intense and will increase, whether that is from other pubs, restaurants or supermarkets. Our focus is on ensuring that we can meet our customers' increasingly exacting standards through offering great value, service and choice, in high quality pubs.


| 1. |


| 2. |


| 3. |


| 4. |

1. The Bridge, Branston | **2.** Newhall Farm, Cannock | **3.** Spread Eagle, Gailey | **4.** Marston's Brewery, Burton upon Trent

BUSINESS REVIEW

Ralph Findlay & Andrew Andrea

> *"Our performance has been resilient over a challenging year demonstrating the fundamental strengths of the business. In addition to offering outstanding value for money and high quality products and service, we have benefited from anticipating and adapting to consumer trends."*

Marston's and the industry

We operate around 2,200 pubs in a UK pub sector comprising around 53,000 pubs. Our products account for approximately 9% of the UK ale market with our share of the premium cask ale market in pubs around 23%. Our share of the premium bottled ale market is approximately 17%.

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 as described in the Strategic Objectives. We estimate that 65% of all pub visits in Marston's Inns and Taverns are food related.

Intensifying competition, the introduction of the smoking ban in 2007, aggressive price discounting by supermarkets and the weak economy have led to increased polarisation in the marketplace. In anticipation of these changes Marston's Pub Company has disposed of around 400 pubs with limited potential 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. Anticipating this trend, Marston's Beer Company has developed a unique and outstanding range of regional beers which achieved an increase in market share in 2009.

Beer consumption in pubs has been in overall decline 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.

Marston's is a vertically integrated business, and we believe that this business model has clear advantages. We have greater economies of scale, as we brew our own ales and control our own supply chain, distributing to over 4,000 pubs and clubs.

Strategic Objectives

Our strategy has six key objectives:

1. **Target growth through the development of a national, high quality pub estate**
   In recent years this has been achieved through acquisitions which have widened our trading area throughout England and Wales; investing in new pub development; and the disposal of pubs which do not meet our criteria for sustainable returns.

   We have a track record of delivering excellent returns from new pub development and we believe that this programme is a key driver of future shareholder value. We therefore plan to invest at least £140 million of the rights issue proceeds in the acquisition and development of new pubs over the next three years. These pubs will be large, family friendly, food-led managed pubs.

THE REAL FACTS

20% INCREASE IN PREMIUM ALE VOLUMES

Despite the difficult economic environment, Group revenue was only 1.4% down on a comparable 52 week basis . . . with tight cost control continuing to mitigate increases in food, energy and brewing raw material costs."

The Group is a market leader in developing such pubs and we have a highly skilled, experienced and specialist in-house team. The pubs are built to cost-efficient standard specifications to assist roll-out. The 30 pubs of this type that we have opened in the last five years have been very successful and have delivered stronger like-for-like sales than the Group's other managed pubs. In addition, the pubs achieve a higher average weekly take (£20k versus £14k for all the Group's managed pubs) and food represents around 57% of sales. We have achieved high returns averaging 15% EBITDA (earnings before interest, tax, depreciation and amortisation) return on invested capital.

The current market environment allows us to take advantage of increased availability of suitable sites, reduced competition, and lower average site acquisition costs. Combined with more favourable construction costs we believe there is potential to achieve returns from the new-build programme in excess of the target level of a 15% EBITDA return on invested capital, with a lower risk profile than is often associated with buying packages of existing pubs.

It is our intention to build 60 new pubs over the course of the next three years. In 2010 we expect to open around 15 new sites, with a further 45 planned to open over the following two years.


| 1. |

OUR STRATEGIC OBJECTIVES . . .

- ✔ Target growth through the development of a national, high quality pub estate;
- ✔ Develop greater food skills and extend our appeal to new customer groups;
- ✔ Recruit the most skilled tenants and lessees;
- ✔ Focus on regional ale brands with genuine provenance;
- ✔ Create greater value for shareholders through vertical integration; and
- ✔ Match freehold assets with long-term fixed rate financing.

| **1.** A selection of servings at a carvery. |

BUSINESS REVIEW CONTINUED

2. **Develop greater food skills and extend our appeal to new customer groups**
The 'F-Plan' has been developed in Marston's Inns and Taverns to focus on food, families, females and 'forty/fifty somethings'. We aim to benefit from longer term trends towards more eating out; to reposition our customer base in the face of the long-term decline in alcohol consumption in the on-trade; and to recognise the demographic effects of a maturing population on pub usage. We have capitalised on this trend by increasing food sales from 27% of revenue in 2004 to 38% in 2009.

3. **Recruit the most skilled tenants and lessees**
As the pub sector has become polarised between better pubs and those failing to meet customer expectations, so the demand for more able licensees has intensified. Factors which influence licensees who are considering taking on a particular pub include the quality, location and appeal of the pub itself, the reputation of the pub owning company in dealing with its tenants and lessees, and the level and suitability of support provided.

With these factors in mind we have established commercial relationships with tenants and lessees that are based on openness, transparency, fair rents, a fair share of risks and rewards, and sustainability. These objectives are reflected in our Code of Practice, which is British Institute of Innkeeping (BII) compliant, and the establishment of a 'rent review panel' in 2001 to ensure fair rents.

We have responded quickly to market pressures on tenanted and leased pubs by introducing a range of innovative agreements which address the key licensee concerns of funding, business skills and risk. These agreements are an important point of difference in a competitive market and are described in detail within the section on Marston's Pub Company.

We have also developed a comprehensive 'benefits package' for tenants and licensees which allows them to benefit from Group buying power across a wide range of goods and services including food, waste management, clothing and equipment. These benefits can add several thousand pounds to a licensee's profits.


| 1. |

4. **Focus on regional ale brands with genuine provenance**
The success of the independent brewing sector in recent years is evidence of growing interest in beers with taste, quality ingredients and genuine provenance. Marston's Beer Company is unique in being able to exploit this trend on a national scale through distribution of local beers from Wychwood Brewery in Oxfordshire; Ringwood Brewery in the New Forest; Jennings Brewery in the Lake District; and the Banks's and Marston's breweries in the Midlands.

This strategy provides benefits in two markets. First, locally, in the independent free trade our performance demonstrates that being the 'local brewer' with high service levels and national distribution helps to gain and retain distribution. Second, nationally, when these local beers are made more widely available, including in the Group's own pubs, there is real consumer interest in choice, individuality and regionality. This has contributed to the 6% increase in ale volumes in Marston's Inns and Taverns in 2009 and to the success of our brands sold to other pub companies.

The cost implications of multi-site brewing are not material as the Jennings, Ringwood and Wychwood breweries are relatively small and local distribution and account management is at low cost. The local provenance and premium nature of these beers attracts higher net prices.

We have a particular focus on the higher margin premium ale segment of the market and have increased volumes in this segment by approximately 90% over the past five years to 2009 (including the benefit of acquisitions).

| **1.** The Stag's Leap, Rugeley. |

5. **Create greater value for shareholders through vertical integration**
   We believe that there are clear economic benefits as a consequence of our vertically integrated business model. These include:
   - The ability to share best practice between divisions in order to optimise the performance of our pubs and ale portfolio (the development of the Retail Agreement and the strong performance of our ale brands in our own pubs are examples);
   - The ability to share overheads and systems between trading divisions, increasing cost-efficiency; and
   - Increased cost control in brewing and distribution and therefore greater control over costs incurred by our pub divisions.

6. **Match freehold assets with long-term fixed rate financing**
   Our financing is robust, principally comprising long-term debt at low rates of interest secured on freehold pub assets.

   Following the rights issue we have strengthened the balance sheet with the ratio of net debt to EBITDA reducing from 6.2 times in 2008 to 5.7 times at the period end. We will continue to target a reduction in the ratio of net debt to EBITDA.

Overview of results

Our performance has been resilient over a challenging year demonstrating the fundamental strengths of the business. In addition to offering outstanding value for money and high quality products and service, we have benefited from anticipating and adapting to consumer trends in a number of areas. We have:

- **Maintained a rigorous approach to improving pub standards and quality, with a strong preference for freehold ownership.** In the last five years we have built over 50 managed pubs and bars targeting the growth sector of the market, and over the last three years we have sold around 400 smaller tenanted pubs with limited potential. The pub estate is therefore of high and improving quality, enhancing customers' perceptions of the overall quality and the appeal of our offers.

- **Continued to develop the 'F-Plan'** — We have developed a focus on food, families, females and 'forty/fifty somethings' to benefit from longer term trends towards more eating out; to reposition our customer base in the face of the long-term decline in alcohol consumption in the on-trade; and to recognise the demographic effects of a maturing population on pub usage.

  Although overall expenditure on eating out is estimated to have contracted modestly in 2009, we have gained market share with like-for-like food sales growth of 2.8% in Marston's Inns and Taverns.

| 2. |

- **Recognised a growing demand for choice in high quality ales with genuine provenance.** We have leading market shares in both cask and premium bottled ale and have continued to develop our premium ale portfolio in both the on-trade and the off-trade.

- **Been proactive in generating solutions to the economic pressures affecting tenants and lessees.** In addition to focused tenant support of £3 million in 2009, we have introduced a range of market leading, innovative agreements. These are described further in the section on Marston's Pub Company.

- **Improved the performance of our beer brands in Marston's pubs.** In Marston's Inns and Taverns we achieved 6% volume growth of our own ales and a 20% increase in premium ale volumes.

2. One of our premium ales, Hobgoblin

BUSINESS REVIEW CONTINUED
Marston's Inns and Taverns

As at 3 October 2009 the estate comprised 496 pubs. Total revenue decreased by 3.6% to £367.8 million principally reflecting the transfer of 47 smaller pubs to Marston's Pub Company in 2008. Operating margin of 16.4% was 0.5% below last year demonstrating effective cost control despite continued growth in food sales and increased price promotion activity. Underlying operating profit of £60.3 million was down 6.5%. The average profit per pub increased from £117k to £120k.

Our performance improved steadily throughout the year after a weak first quarter, and in the last nine weeks to 3 October 2009 total like-for-like sales increased by 2.7%, including food sales up by 5.7% and drink sales up by 1.0%. This stronger performance was achieved despite the generally poor summer weather, and demonstrates the appeal of our value-for-money offers and our focus on the 'F-Plan'. For the year, total like-for-like sales were down by 0.6% with like-for-like food sales up by 2.8% and like-for-like drink sales down 2.4%.

Our overall good performance has been driven by strong trading in high quality food-led outlets, particularly those with a clear value-for-money offer, such as 'Two for One' (87 pubs). Similarly, the introduction of carvery meals from £3.99 and a range of promotional offers during specific trading hours have proved extremely popular and these, combined with interesting, refreshed menus and high quality ingredients, contributed to an increase in meals sold of 4% to around 23 million meals this year. Average spend per head on food was broadly similar to the previous year at approximately £6.

The improvement in drink sales trends during the year was helped by good growth in sales of premium cask ale, which increased by 20% in 2009. This encouraging performance was achieved by extending the availability of our excellent range of cask beers to all pubs and by giving individual managers greater autonomy in deciding which brands to sell. Brands such as Ringwood

| 1. |

| 2. |

Revenue £m

09	367.8
08	388.3
07	367.8
06	330.7
05	317.4

Average weekly sales £'000

09	14.0
08	14.1
07	13.7
06	13.2
05	12.0


| 3. |

| **1.** The Ladybird, Caterham. | **2.** Two for One signage. | **3.** Family get-together at a Milestone Carvery. |

Best Bitter, Brakspear Oxford Gold, Jennings Cocker Hoop and Hobgoblin all saw significant sales increases.

The introduction of a £70 jackpot and increased stakes to £1 plays in June 2009 together with new machines such as 'cash in, ticket out' have proved attractive to players, contributing to like-for-like sales growth in the last two months of the year against a like-for-like sales decline of 7.2% for the year as a whole. Income from gaming machines had previously been in decline since the introduction of the smoking ban in 2007.

Marston's Inns operates around 50 pubs with over 800 rooms maintained to a high, consistent standard. Performance has been robust with like-for-like sales growth of 1.3%, including increased occupancy and higher room rates despite well publicised discounting in the lodge sector. We will continue to invest in pubs with rooms where appropriate, although we have no plans to develop lodges separately. We recently announced an informal partnership arrangement with Travelodge which provides us with additional flexibility in relation to the new-build programme where sites have the potential for lodge development.

During 2009 we opened 4 new large family friendly pubs as planned, having opened 16 in 2008. The acceleration of the programme from 2010 onwards is described within the Strategic Objectives. Our criteria for new site development are based upon demographic data associated with population, income levels and competition rather than specific geographies; accordingly, we aim to acquire sites throughout England and Wales. Our investments are likely to be in edge of town retail parks or prominent sites on arterial routes near residential areas rather than in the high street, where intense competition continues to affect trading.

Milestone Carvery — a new concept for Marston's Inns and Taverns

During 2009 Marston's Inns and Taverns identified an opportunity in the marketplace for a food led concept that gave customers both value and choice and provided Marston's with a competitive advantage.

'Milestone Carvery' aims to provide the ultimate menu choice offering a range of grills, fish and hotpot sections as well as a traditional, freshly cooked, daily carvery.

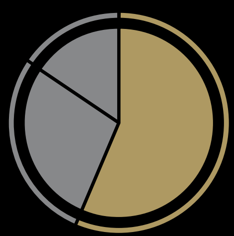
Lucy Dalzell, Retail Marketing Manager, said: The Milestone Carvery concept offers customers fantastic choice and great value every day   our daily carvery is available from £3.99. We are able to offer something for everyone within our Milestone Carveries; we ensure our cask ale range is extensive and varied, we have small play areas or toy cupboards to help keep children entertained, all presented in a comfortable, relaxed pub atmosphere.

Milestone Carvery and the other key food concept Two for One complement each other and provide an offer suitable to different markets, both of which are central to the new-build programme. By the end of 2010 there will be a further ten Milestone new-build pubs.

The great news for shareholders is that you can use your 20% discount in any Marston's Inns and Taverns pub and enjoy the Milestone experience for even less.

REVENUE
£367.8 million

57%
GROUP REVENUE SHARE



4 NEW
family-friendly pubs opened ✔

800 BEDROOMS
in over 50 Marston's Inns ✔

BUSINESS REVIEW CONTINUED

Marston's Inns and Taverns *continued*

Our resilient sales performance was accompanied by robust gross margins, with drinks and food margins only slightly below last year's. Good controls over purchasing and labour costs have significantly offset higher costs associated with the change in sales mix, including increased food service costs and input cost inflation. Food input cost inflation was approximately 3% in 2009, an increase of around £1.4 million. Bar staff costs represented around 26% of revenue and were well controlled. We continue to invest in technology to refine and improve labour scheduling. We expect both food and utility cost inflation to ease in 2010 having recently negotiated a range of supply contracts on favourable terms.

The new-build programme is enabling Marston's Inns and Taverns to develop a managed pub estate which includes the best pubs in the market, and is consistent with our objective to operate an estate of the highest quality.

THE REAL FACTS

£120K
AVERAGE PROFIT PER PUB

| 1. |

| 2. |

"Our overall good performance has been driven by strong trading in high quality food-led outlets, particularly those with a clear value-for-money offer."

| 3. |

| **1. & 2.** The Spread Eagle, Gailey. | **3.** Newhall Farm, Cannock. |

BUSINESS REVIEW CONTINUED

Marston's Pub Company

As at 3 October 2009 the tenanted and leased pub estate comprised 1,688 pubs. Total revenue decreased by 3.9% to £175.8 million principally reflecting reduced volumes sold to tenants and lessees. Operating margin was down 1.6% to 46.5% and the underlying operating profit was £81.8 million, a reduction of 7.0% including approximately £3 million of additional support costs for licensees. Average profit per pub reduced from £51k to £48k.

Well invested pubs in good locations, operated by dedicated licensees who have responded to their customers' needs, have continued to perform well: around 80% of pubs in the tenanted and leased estate achieved like-for-like profits in line with last year. These are the better pubs in the estate and are let on substantive, medium to long-term agreements. However, the economic recession has had a polarising effect on the performances of pubs and has accelerated existing market trends, contributing to a sharp decline in profits in the weakest 20% of pubs in the estate.

The weakest 20% of pubs require more intensive management. These pubs are currently operated under short-term agreements, such as tenancy-at-will, or by agencies. The lower profitability of these pubs results from low tenant stability, the costs of agency and a weak consumer proposition.

Although these pubs have underperformed compared to the rest of the estate, the vast majority are capable of achieving satisfactory returns and we have developed plans to significantly improve their profitability as follows:

THE REAL FACTS

£3 MILLION IN ADDITIONAL SUPPORT FOR LICENSEES

| 1. |

"Well invested pubs in good locations, operated by dedicated licensees who have responded to their customers' needs, have continued to perform well."

1. The Old Stags Head, Penn, Wolverhampton.

BUSINESS REVIEW CONTINUED

Marston's Pub Company *continued*

1. **Attractive pubs:** approximately £5 million of additional capital will be invested in 2010 to ensure that these pubs are better able to meet the expectations of customers.

2. **Lower risk for licensees:** we have introduced a 'Tracker' agreement with rent linked to volume for pubs with an annual rent of up to £15,000. This reduces the financial risk for the licensee, with rent flexing according to the level of trade in the pub. Approximately 100 pubs are now let on 'Tracker' agreements.

3. **Better retail standards:** we have developed a highly innovative Retail Agreement which operates in a similar way to a franchise agreement. Marston's Pub Company has responsibility for the retail offer, including drinks brands sold, food menus and pricing. The licensee earns a percentage of revenue and is responsible for staff in the pub. Marston's Pub Company is responsible for all other costs, including utilities.

   We expect that around 90 pubs will operate under Retail Agreements during the course of 2010. The agreement offers experienced licensees the opportunity to run a pub with a reduced cash requirement at lower risk. It also enables Marston's Pub Company to manage retail standards and ensure that pricing is market competitive. The performance of the 24 pubs currently operating under this agreement has been very encouraging.

In addition to these new and innovative developments, we will continue to ensure that all our agreements are written in 'Plain English' accredited by the Plain English Campaign. We have operated an independent rent review panel since 2001 and fully support the new Pub Independent Rent Review Scheme which will provide licensees with a low cost dispute resolution service.

Rents must be set on the basis of what is affordable and sustainable in any given pub operated by a good, capable licensee. With average rent per pub at around £25,500 per year we believe that our rents are appropriate and competitive.


| 1. |


| 2. |

Revenue £m

Number of pubs


| 3. |

| **1.** The Bridge, Branston. | **2.** Value-for-money meal at our tenanted pubs. | **3.** The Struggling Man, Dudley. |

Average rents in the 80% of the estate on substantive agreements increased by 2% in 2009.

The commercial and training support package available from Marston's Pub Company is well established and continues to develop. It includes the availability of online ordering; licensee training days through the 'Skills Bar' programme; access to Marston's payroll bureau to pay employees; and a 'web-builder' software package to enable retailers to design their own websites. During 2009 we also invested around £3 million in rent alleviation and additional discounts to support licensees where appropriate. We plan for a similar level of support in 2010, although as we make capital investments and extend our new agreements as described above we expect this level of support to reduce over time.

The intensive management of weaker pubs also includes a reduction in the number of pubs for which each Business Development Manager (BDM) is responsible. This is now around 30 pubs, representing a significant investment in resources to ensure that licensees are given more time, attention and better quality advice. We believe this number of pubs for each BDM is far lower than the industry average and is contributing to improved performance. Our BDMs are trained using external programmes from the BII and our own 'Pedigree People Programme'. This programme won a National Innkeeper Training Award in 2008.

In 2010 we expect to implement the recently proposed Code of Conduct, developed by the industry in response to criticisms of the industry by the BISC report. This Code of Conduct will further improve transparency in agreements and provide a greater understanding of the rent setting process. We continue to develop our relationships with tenants and lessees, and to demonstrate that through these relationships, and as a result of our high quality pubs, Marston's Pub Company is the leading operator in this sector.

The Retail Agreement

We have launched several new agreements in order to offer more choice and flexibility to our tenants and lessees whether new or existing. The Retail Agreement is particularly innovative; having trialled it during 2009, we plan to have over 80 running by September 2010.

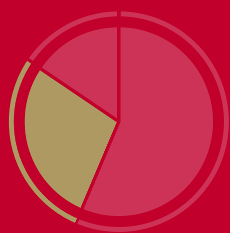
The agreement is designed to help good operators who want to run their own pub but are struggling to raise the necessary capital. We ensure that the pub which they take on is warm and welcoming, with a great range of cask beers and an attractive food and coffee offer. We pay for all the running costs, including stock, enabling the operator to concentrate on offering high standards of service and regular activities for customers such as bar sports, Sky and Wii games nights.

The operators are self-employed and they earn 20% of the net takings from which they pay themselves and their staff. The only capital that they need to raise is for a deposit which is refundable at the end of the agreement, subject to the initial terms and conditions being met.

The agreement has many attractions: it allows an operator to directly benefit from his or her efforts to increase revenue; it addresses the need for pricing activity in certain locations; it can be taken up with very low risk to the operator; and it also permits us to take advantage of our managed house retailing experience since we can bring appropriate elements of this into these pubs.

REVENUE
£175.8 million

27%
GROUP REVENUE SHARE



1,688
tenanted pubs ✔

£48K
average profit per pub ✔

BUSINESS REVIEW CONTINUED
Marston's Beer Company

Total revenue exceeded £100 million increasing by 13.2% to £101.5 million. Underlying operating profit increased by 3.9% to £16.0 million.

The key to our strong performance, against a weak beer market, is our unique range of strong national and regional ale brands together with high levels of marketing support and customer service.

Own-brewed beer volumes increased by 8%. Premium ale, which is now 54% of the ale portfolio, increased by 26% including 13% growth in the on-trade and 50% growth in the off-trade.

Operating margin was down by 1.4% to 15.8% as a consequence of the change in sales mix towards the off-trade, which is lower margin than the on-trade, and higher brewing costs. Margin trends improved in the second half-year.

Marston's Beer Company is a market leader in premium ale with market shares of around 23% in premium cask ale in the on-trade and 17% in premium bottled ale in the off-trade. Our premium ale range includes distinctive characterful beers such as Marston's

THE REAL FACTS

OWN-BREWED BEER VOLUMES INCREASED BY 8%

| 1. |

| 2. |

| 3. |

Revenue £m

	Revenue
09	101.5
08	91.4
07	84.1
06	86.0
05	85.4

Net assets £m

	Net assets
09	156.1
08	140.6
07	120.6
06	102.5
05	99.7

| **1.** Advertising our cask ales. | **2.** Bottling line, Burton upon Trent. | **3.** One of our Jennings ales. |

Pedigree, Hobgoblin, Marston's Old Empire, Jennings Cumberland Ale, Brakspear Oxford Gold and Ringwood Old Thumper. Popular local brands such as Banks's and Mansfield also contribute to our full range of exceptional beers. This offer is meeting a growing demand from consumers for more choice, better quality, taste and authenticity.

Approximately 72% of our own-brewed beers are sold to third party customers in the three distinct trade channels below:

- Free Trade: despite the difficult market we increased profits from sales to the independent free trade market, winning new distribution as a consequence of our strong local presence, regional marketing and a high level of service to customers.
- Pub Companies: volumes sold to tenanted and managed pub companies were down year on year reflecting the challenging market generally, but we increased profit overall as a consequence of our stronger brand portfolio and improved pricing.
- Take Home: strong volume and profit growth were achieved following the acquisition of Wychwood Brewery in 2008, which more than doubled our share in the growing bottled ale segment to position Marston's Beer Company as the market leader.

We continue to invest in national and regional advertising campaigns as well as sponsorships which include Marston's Pedigree being 'The Official Beer of England Cricket'. The brand enjoyed a particularly strong performance since its re-launch in February 2009, including growth of over 100% in sales of bottled Pedigree in the second half-year. The wide range of local radio, print and event sponsorships for our other regional brands are part of our aim to make Marston's Beer Company the pre-eminent ale brewer in the country.

Promoting our Brands

England regained the Ashes and cricket fever was captured perfectly in pubs and homes by Marston's Pedigree, with high profile support for our boys in white. Strong promotional activity saw the brand increase total market share and re-enter the Premium Bottled Ale (PBA) top 10.

Marston's Brewery also celebrated its 175th anniversary with Darren Gough the celebrity guest at the birthday party in September.

Hobgoblin continued to recruit more PBA drinkers than any other brand with its Halloween and 'British Beer Needs You' campaigns and the mischievous character continued to convert 'lager boys' to his favourite brew.

Strong campaigns around Jennings and Ringwood breweries saw a growth in local engagement and sales. Banks's continues its close relationship with the Black Country, with football connections at the Banks's Stadium, the home of Walsall FC, and popular radio talk-ins with West Midlands football team managers.

All breweries contributed to the increasingly popular guest beer programme that saw over 50 cask and bottled beers brewed for a limited period, with special celebrations for the Ashes, Wolverhampton Wanderers' return to the Premier League, and charity supporting beers with the Lord's Taverners (Marston's) and Marie Curie Cancer Care (Jennings Golden Host).

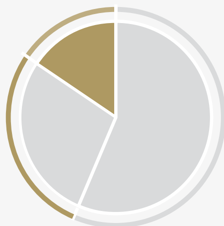
2009 also saw the publication of the industry's first ever PBA Report confirming Marston's Beer Company as market leader in this category.

REVENUE

£101.5 million

16%

GROUP REVENUE SHARE



MARKET LEADER IN PREMIUM ALE

23% market share in premium cask ale ✔

PREMIUM ALE

represents 54% of the ale portfolio ✔

BUSINESS REVIEW CONTINUED

Key Relationships

Customers

For our managed pubs our network of Area Managers is sufficiently resourced to maintain weekly contact with our pub managers. This ensures customers' comments and preferences are communicated promptly and can be considered and acted upon by senior management.

We use market research analysts to conduct surveys of consumers' preferences regarding the food and drink choices available within the managed houses.

For the supply of our brands to national supermarkets regular monthly contact is maintained with our customers. At these meetings their opinions upon the brand range, in store display, packaging and operational matters are considered by the sales team.

Employees

The success of the Company will reflect the quality of its employees. The Company strives to meet the aspirations of its staff and recognises the value earned from developing the talents of its staff. We conduct surveys of employees' opinions on the Company. The development of our employees is also described in the Corporate and Social Responsibility Report.

Suppliers

Although the Group is not solely reliant upon individual key suppliers, a lot of our operations can only be achieved competitively because of their efficiencies. The Group benefits from economies of scale by striking national deals with its suppliers. These relations are managed carefully to ensure that these contracts deliver mutual benefits.

Local communities

We recognise that our pubs are a valued part of their local communities. We strive to ensure that the development of our properties takes into account the community, in particular to minimise any disturbance from noise, opening times and traffic. All concerns communicated by our neighbours are considered and local meetings are arranged to seek to resolve any issues.

Regulatory bodies

Since 24 November 2005 the licensing system in the UK has been controlled by Local Authorities and is governed by strict guidelines laid down by the Government to ensure consistency. Licensing objectives include prevention of crime and disorder, protection of public safety, prevention of public nuisance and protection of children from harm. Achieving the licensing objectives is central to our relationship with the Local Authorities, both in our managed houses, through the high level of staff training, and by supporting our tenants, lessees and retail operators to operate in accordance.

The Company also has a key relationship with the Environment Agency concerning its brewing activity at Wolverhampton and Burton. Due to the volume of production at these sites both breweries have to demonstrate an adequate level of control over their environmental impact in order to qualify for an Integrated Pollution Prevention and Control (IPPC) Permit. The sites are periodically audited by the Environment Agency and any points of improvement have to be complied with in order to retain the Permit.

Current Trading

We have seen an encouraging start to the new year. In Marston's Inns and Taverns, like-for-like sales increased by 3.1% in the eight weeks ended 28 November 2009 including food sales growth of 5.3% and drink sales up by 1.6%. In Marston's Pub Company, for the same 8 week period, like-for-like profits were around 5% below last year representing an improvement in the rate of profit decline reported for the 2009 financial year. Marston's Beer Company is performing in line with our expectations.

BUSINESS REVIEW CONTINUED

Financial Review

	Revenue			Underlying operating profit (note 2)			Margin		
	2009	2008	2008 (52 wks)	**2009**	2008	2008 (52 wks)	**2009**	2008	2008 (52 wks)
	£m	£m	£m	**£m**	£m	£m	**%**	%	%
Marston's Inns and Taverns	**367.8**	388.3	381.7	**60.3**	67.2	64.5	**16.4**	17.3	16.9
Marston's Pub Company	**175.8**	186.4	183.0	**81.8**	90.0	88.0	**46.5**	48.3	48.1
Marston's Beer Company	**101.5**	91.4	89.7	**16.0**	16.1	15.4	**15.8**	17.6	17.2
Marston's Group Services	**—**	—	—	**(10.7)**	(11.7)	(11.6)	**(1.7)**	(1.8)	(1.8)
Group	**645.1**	666.1	654.4	**147.4**	161.6	156.3	**22.8**	24.3	23.9

Results for the 52 weeks to 3 October 2009

Despite the difficult economic environment, Group revenue was only 1.4% down on a comparable 52 week basis. Group operating margin was 1.1% below last year with tight cost control continuing to mitigate increases in food, energy and brewing raw material costs. Performance improved significantly in the second half-year, with Group revenue broadly flat in comparison to the prior year and operating margin down 0.5% as inflationary pressures eased on food and brewing raw materials.

Underlying operating profit reduced by 5.7% to £147.4 million and underlying earnings per share fell to 13.4 pence per share (2008 restated: 18.3 pence per share).

Operating profit after exceptional items was £110.4 million and basic earnings per share after exceptional items were 3.9 pence per share (2008 restated: 16.3 pence per share).

Prior year earnings per share and dividends per share have been restated for the bonus element of the rights issue completed in July 2009.

Key performance indicators

The Board of Marston's PLC and the divisional management boards monitor a range of financial and non-financial performance indicators, reported on a periodic basis, to measure performance against expected targets. Of these, the key performance indicators monitored by the Board are:

	2009	2008 As restated
Group		
1. Underlying earnings per share	**13.4p**	18.3p
2. Ratio of net debt to EBITDA	**5.7 times**	6.2 times
Marston's Inns and Taverns		
3. Like-for-like sales growth	**(0.6)%**	(0.6)%
4. New site openings	**4**	16
Average profit per pub		
5. Marston's Inns and Taverns	**£120k**	£117k
6. Marston's Pub Company	**£48k**	£51k

Definitions

1. Underlying earnings per share are basic earnings per share before exceptional items.
2. Ratio of net debt to EBITDA is the net debt at the period end compared to EBITDA before exceptional items.
3. Like-for-like sales growth is the percentage change in revenue for managed pubs owned by the Group for the whole of the current period under review and the prior comparative period.
4. New site openings are the number of managed pubs opened either as new-build pubs or acquired and refurbished managed pubs in the period under review.

5/6. Average profit per pub is operating profit before exceptional items divided by the average number of pubs in the period.

Dividend

The proposed final dividend of 3.70 pence per share gives a total dividend for the year of 7.14 pence per share, compared to 9.52 pence per share in the prior year. Dividend cover at the period-end is 1.6 times (2008: 1.9 times).

The Board has rebased the final dividend for 2009 and also expects to rebase the interim dividend in 2010. This follows a review of the Company's dividend policy and payments having regard to the immediate trading environment and longer term considerations. The Board's policy remains to target a dividend cover of around 2 times over the medium-term although the level of cover in any one year may vary.

Capital expenditure

Capital expenditure was £56.4 million in 2009 and we expect this to increase to between £85 million and £90 million in 2010. The level of maintenance capital expenditure will be broadly similar to 2009, but investment capital will increase as we invest £45 million of the rights issue proceeds in new-build pubs.

Disposals

We continually review our property portfolio and sell those with low growth prospects and those with higher alternative use value. Despite a challenging property market, we sold 70 properties during the year, realising book values and generating cash of £26.0 million.

BUSINESS REVIEW CONTINUED

Financial Review *continued*

Estate valuation

In the first half of the year we recognised an impairment predominantly relating to tenanted pubs let on non-substantive agreements. In the second half of the year we have recognised a further impairment principally relating to town centre leasehold properties. Of the total property impairment charge of £68.0 million for the year, £24.1 million has been recorded as exceptional in the income statement and £43.9 million has been recorded in the revaluation reserve. In addition, we have recognised an exceptional charge of £12.9 million for onerous leases, principally in respect of town centre leasehold sites.

Rights issue

Our rights issue, which was successfully completed in July 2009, raised net proceeds of £165.6 million. At least £140 million of the proceeds is being invested in building and developing 60 managed pubs over the next three years. We are making good progress and are on track for 15 new openings in 2010 and a further 45 over the following two years.

As part of the rights issue process a forecast profit before tax and exceptional items of not less than £69 million was announced, which we have exceeded.

Financing

In January 2009 we announced that we had extended our bank facility to August 2013, thereby removing any need for short-term refinancing. The facility will reduce from £400 million to £295 million in August 2010, in line with the Group's requirements.

The higher margin payable under the new facility results in the blended cost of debt for the Group marginally increasing to 6.7%. This facility, together with our long-term securitisation of approximately £1.1 billion, provides us with an appropriate level of financing headroom for the medium-term, with a structure that continues to provide operational flexibility.

The Group has significant headroom on its banking covenants following the rights issue, and there is adequate headroom on the securitisation covenants. Importantly, the Group has flexibility within the financing structure to transfer pubs between the banking and securitisation groups.

Net debt of £1,099.3 million at 3 October 2009 is a reduction of £168.8 million compared to £1,268.1 million at 4 October 2008. The decrease is principally a result of our rights issue which raised net proceeds of £165.6 million. Underlying net debt fell by around £15 million, excluding the impact of the rights issue and associated expenditure on new-build pubs.

For the period ended 3 October 2009 the ratio of net debt to EBITDA before exceptional items was 5.7 times (2008: 6.2 times) and interest cover was 1.9 times (2008: 2.1 times).

Net finance costs before exceptional items are broadly flat, despite the reduction in net debt, as a result of the higher margin on the new bank facility.

At the period-end virtually all gross debt is effectively at fixed rates of interest.

Treasury management

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 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 by a treasury committee. The banking and securitisation covenants are reviewed throughout the year by the treasury committee and the Board with a focus on ensuring appropriate headroom is available over the short and medium-term.

Pensions

The deficit on our defined benefit pension scheme at the period-end was £35.3 million before tax (2008: £37.9 million), and £25.4 million after tax (2008: £27.3 million).

The triennial valuation of the pension scheme was agreed during the year. Contributions to the scheme will remain broadly unchanged next year, with a £10 million top-up contribution paid in October 2009. The top-up contribution increases at 5.75% annually thereafter, with the intention of funding the deficit over the next nine years.

Taxation

The underlying rate of taxation (before exceptional items) of 20.9% in 2009 is below the standard rate of corporation tax of 28% principally due to the favourable agreement of certain prior year tax issues and a reduction in the deferred tax liability in respect of a number of short leasehold properties that are now held for sale.

The underlying tax rate has increased by 2.6% from 18.3% in 2008. The prior year rate benefited from an increase in indexation allowance on properties which has not been repeated in 2009 since the movement in the Retail Price Index has been negative.

Exceptional items

There are non-cash, net exceptional charges of £39.2 million after tax. This reflects £24.1 million impairment of properties, £12.9 million recognition of property provisions and £11.9 million loss on the market valuation of certain interest rate swaps, less the related tax credit of £9.7 million. Further details are provided in note 4.

CORPORATE AND SOCIAL RESPONSIBILITY REPORT

HOW WE OPERATE

We strive to be '**FIT** in our dealings with our employees, customers, suppliers and the wider community within which we operate.

FIT is a summary of three fundamental behaviours that apply throughout the Group.

Fairness — Any action, decision or policy adopted within the Marston's Group should be both equitable and reasonable. It should not result in one particular group of stakeholders gaining an unjustified advantage or benefit at the expense of another.

Integrity — If a commitment is made it should be kept. If it cannot be delivered or circumstances change so that an alternative course of action is appropriate this should be clearly explained.

Transparency — Wherever there is the freedom to do so, the Group should act in a manner that is open to the scrutiny of our employees and the wider community.

The Group has an Environmental & Corporate and Social Responsibility (E&CSR) Committee under the stewardship of the Managing Director of Marston's Beer Company, to oversee its CSR activities and ensure that its activities are consistent with this mantra.

The Marston's team

The Group directly employs about 12,000 people offering opportunities for people in every county of England and Wales. In addition, our lessees and tenants within Marston's Pub Company also employ a significant number of people within a similar geographical spread.

The Group has a long history of excellent consultative and collective bargaining relationships with its trade unions, at its breweries, distribution centres, head office and pubs. Employee representatives, both Trade Union officials and lay members, have a significant and recognised role to play in developing our business.

Diversity

More than half of our people work on a part time basis to suit their personal circumstances, offering excellent opportunities for students and people returning to the work environment. Around half of our total workforce is female and of those employees undertaking management responsibilities about a third are women.

The Group runs a development programme for our people on issues relating to diversity and in addition, this topic also features in other development and training programmes such as recruitment and selection.

The Group operates a full Equal Opportunities policy and a "whistleblowing" policy, both of which are available on the Company's website: www.marstons.co.uk.

Development opportunities

The Company has been continually accredited with the Investor in People standard since 1995 and was successfully reassessed as meeting the standard in 2009. The Company has also won a number of National Training Awards and industry specific awards over the same period, including a National Innkeeping Training Award for our Business Development Manager training in 2008.

We support a wide and very varied range of personal development opportunities so that everyone has access to the development they need to truly maximise their potential. Whilst academic and professional qualifications are available to employees many of our programmes offer excellent opportunities to those that respond best to vocational forms of development.

Development opportunities extend beyond our employees and we run an extensive range of courses for our tenants, lessees and free trade customers.

Health and safety

The Group has a health and safety policy, endorsed by the Board and used throughout the Group. The Board receives an annual presentation from the Group Health and Safety Manager giving detailed statistics on health and safety issues and the progress made in improving our performance where required.

All of our production, distribution and head office locations, together with Marston's Inns and Taverns, have active health and safety committees, involving both managers and employees and are co-ordinated by the Group Health and Safety Manager. In addition to this all sites undergo health and safety audits by external assessors and the measures by which we judge a satisfactory outcome are continually reviewed and the standards raised.

Each pub receives a comprehensive health and safety manual for use as a source of information, guidance and training together with a set of compliance documentation that has been widely praised by Environmental Health Officers. We have also recently updated and reissued the Health and Safety Handbook that we issue to head office and supply chain employees.

In Marston's Pub Company tenants and lessees are provided with the opportunity to receive health and safety training, and can also obtain examples of best practice for use within their pubs. In addition, we provide assistance with important legal requirements such as fire risk assessments.

CORPORATE AND SOCIAL RESPONSIBILITY REPORT CONTINUED

Alcohol awareness — our responsibility

The Group is a longstanding member of the British Beer and Pub Association (BBPA), and both Marston's Inns and Taverns and Marston's Pub Company are associate members of the Portman Group and are committed to complying with the provisions of its code of practice, full details of which can be found on The Portman Group website.

The Group also supports both the Drinkaware Trust and the industry's own alcohol awareness campaign. This "Campaign for Smarter Drinking" represents a 5-year £100 million commitment to funding the responsible drinking message by the industry and has the support of over 45 industry organisations.

Our promotional material carries a clear and concise message encouraging the responsible consumption of alcohol; on our bottles and cans we provide information about the alcohol content of the product concerned. Marston's Pedigree was the first beer brand to include a responsible drinking message in its television advertising, something that the rest of the sector has been quick to adopt.

The Company continues its association with the BII and the Schools Project Partnership as the first Core Partner of the Schools Hospitality Partnership, a nationwide programme to bring alcohol awareness web based teaching aids to secondary schools across the country. Further information can be found at www.schoolsproject.co.uk.

Responsible retailing

The Company has made a significant investment in e-learning tools which all pub staff joining Marston's Inns and Taverns must complete and a core part of this programme is the identification of potential underage drinkers. Marston's Pub Company runs a customised drinks and drugs awareness programme, which our lessees and tenants are actively encouraged to attend and have produced checklists to assist them in ensuring they adopt a best practice approach to running their businesses.

The Company actively supports the Challenge 21 initiative in both its managed and leased pub estate and maintains close links with licensing and other enforcement bodies to help ensure that our pubs operate in a responsible and considerate manner.

Much of the advice and support we offer our tenants and lessees is also made available to our customers in the free trade. In particular we have worked closely with the England and Wales Cricket Board, developing a "Drink within your Boundaries" campaign in support of their responsible retailing activities.

Community

The Group is committed to being an active and positive contributor to the communities it serves.

Each year our licensed retail managers, pub staff and tenants raise significant amounts of money for many different charitable causes through local pub based activity and contributions from the Marston's Inns and Taverns Charitable Foundation. Marston's Beer Company makes prize donations for charitable activities run by its free trade customers. Our head office team support charitable causes via donations and raffle prizes and during 2008/9 over 40 good causes benefited from donations from either this fund or the Marston's Inns and Taverns Charitable Foundation.

Our employees also run their own Marston's Employee Charity Fund, which we are proud to support. This fund is run by employees for employees and in the last 12 months the fund has donated over £9,000 to a range of local good causes nominated by our employees.

Ethical purchasing

As a responsible employer we have a duty to support and encourage a responsible purchasing policy for all of our goods and services. As a minimum, all of our purchasing professionals abide by the Chartered Institute of Purchasing and Supply's (CIPS) Professional Code of Ethics Statement. This code requires purchasing professionals to have due regard for their responsibilities in respect of a whole range of issues and full details of the code can be found on the CIPS website. In support of our commitment to this code of practice, we also subscribe to the European Eco Management and Audit Scheme (EMAS).

The Group Director of Purchasing is responsible for the implementation and monitoring of the Group's ethical purchasing policy.


| 1. |

| **1.** Kitchen at the Spread Eagle, Gailey. |

Environmental impact and use of natural resources

The Group produces an annual Environmental Report which explains the impacts which the Group has in terms of energy and resource consumption, emissions and waste. The 2009 Environmental Report is available on the Company's website (www.marstons.co.uk) together with the Group's Environmental Policy Statement.

Our business — both pubs and breweries — impacts on the environment and local communities in a number of ways by:

- Use of raw materials and agricultural products
- Use of energy (gas, electricity, fuel) and water
- Emission of greenhouse gases, odours and noise
- Transportation, delivery and distribution of our products and employees
- Packaging waste (bottles, card, plastic), food waste, spent grains and waste yeast
- Production, disposal, collection and processing of our waste solids and effluents

Of these six areas we have identified that our largest environmental impacts are in the areas of energy consumption, water usage and waste, and we have prioritised the management of these accordingly.

Environmental data

	Unit	**2009**	2008
Consumption/usage			
Gas	GWH	**159.7**	163.5
Electricity	GWH	**89.8**	93.2
Water (breweries)	'000 M^3	**660.8**	698.0
Fossil fuel (diesel)*	'000 gallons	**526.9**	557.1
Emissions (CO_2)*	'000 tonnes	**78.9**	83.4

* Company car fuel usage is not currently measured and is excluded from the calculation of carbon dioxide emissions and fuel usage. The fuel figures shown are for the distribution fleet.

In the 2009 Environmental Report the Group explains its environmental impact in depth and publishes figures for energy consumption for the Group as well as emission volumes of carbon dioxide from fossil fuel consumption — electricity, gas and transport fuel (distribution fleet). The only greenhouse gas directly produced by the brewing process in significant volume is carbon dioxide. The report also sets out the efficiency ratios achieved by our operations at each brewing site in terms of carbon dioxide emitted per tonne of product and water consumption per barrel of product.

Our largest production sites at Wolverhampton and Burton comply with the Integrated Pollution Prevention and Control (IPPC) standards as regulated by the Environment Agency. The IPPC Permit is issued by the Environment Agency once a year and allows the site to process, ferment and package beer and associated products. The Permit sets out the authorised emissions to the air and sewers, and the controls expected to reduce any environmental impact.

As part of the brewing industry's climate change agreement the Group is committed to reducing our emissions by increasing the efficiency of our operations. This includes meeting energy efficiency targets which are split between the breweries as follows: Wolverhampton brewery must increase its efficiency by 32% from 1999 levels, Burton by 51% and Cockermouth by 2% all by 2010. The targets should produce an overall saving of around 12,089 tonnes CO_2 based on 1999 production volumes.

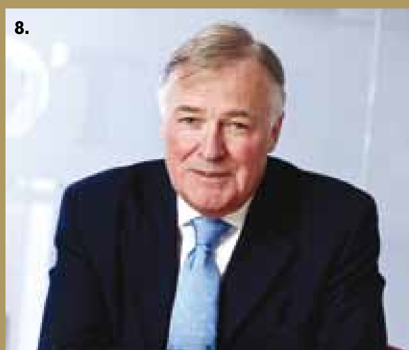
During 2009 Marston's Inns and Taverns has introduced an Environment Management System (EMS) to be applied to all its pubs. Electricity meters have been installed to take automatic readings in nearly all the managed pubs and electricity/gas usage is tracked monthly by the inclusion of these figures in each pub's operating results. The business is therefore well prepared for the Carbon Reduction Commitment which is the mandatory emissions trading scheme starting in 2010 that aims to improve energy efficiency and reduce CO_2 emissions.

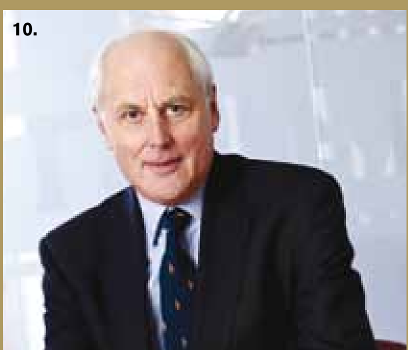
The levels of waste produced by the Group are described in the 2009 Environmental Report. The majority of waste produced by the brewing process is recycled. Some of the waste from brewing such as malt and hops is recycled as animal feed, whilst other waste such as glass, metal, cardboard, paper and polythene after presorting are recycled through contractors.

FTSE4Good

The Company was admitted into the FTSE4Good Index in September 2007. Inclusion within the index is dependent upon achieving an expected standard in corporate responsibility as well as taking into account our policy towards monitoring and targeting reductions in environmental impacts. This is challenging, not least because the criteria continues to evolve to reflect responsible business practices around the world.

DIRECTORS & ADVISERS





1. **DAVID THOMPSON †**
   CHAIRMAN
   Joined the Company in 1977 and appointed to the Board in 1980. Appointed Managing Director in 1986, Chairman in 2001 and Non Executive Chairman in 2002. He is a non executive director of Persimmon PLC, Tribal Group PLC, Caledonia Investments PLC and Smiths Flour Mills Limited. He is Chief Executive of Anglia Maltings (Holdings) Ltd and an executive Director of Ragleth Ltd.

2. **RALPH FINDLAY †**
   CHIEF EXECUTIVE
   Appointed to the Board as Finance Director in 1996 becoming Chief Executive in 2001. He previously worked as Financial Controller at Geest plc and Treasury Manager at Bass plc.

3. **ANDREW ANDREA**
   FINANCE DIRECTOR
   Joined the Company in 2002 as Divisional Finance Director for Marston s Beer Company and in 2006 he became Operations Director for Marston s Pub Company. He was appointed to the Board as Finance Director in March 2009. A qualified Chartered Accountant, he has previously worked in various financial and commercial roles with Guinness Brewing Worldwide, Bass Brewers Limited and Dolland and Aitchinson.

4. **DEREK ANDREW MBE**
   MANAGING DIRECTOR
   MARSTON'S INNS AND TAVERNS
   Joined the Company in 1980. Held a range of managerial positions within the Company including Managing Director of Camerons Brewery Company before being appointed to the Board in 1994. He became Managing Director of Marston's Inns and Taverns in 2001 and in the same year was awarded a MBE for services to the community and industry.

5. **ALISTAIR DARBY**
   MANAGING DIRECTOR, MARSTON'S PUB COMPANY
   Appointed to the Board in 2003 on his appointment as Managing Director of Marston's Beer Company. In 2008 he became Managing Director of Marston's Pub Company. During the year he was Chairman of the All Party Parliamentary Beer Group Steering Committee.

6. **STEPHEN OLIVER**
   MANAGING DIRECTOR, MARSTON'S BEER COMPANY
   Joined the Company on the acquisition of Marston, Thompson & Evershed and became Managing Director of Marston's Pub Company on his appointment to the Board in 2001. In 2008 he became Managing Director of Marston's Beer Company. He is a Trustee of the Burton Breweries Charitable Trust.

7. **NEIL GOULDEN * †**
   NON-EXECUTIVE DIRECTOR
   Appointed to the Company in April 2008. He is Executive Chairman of the Gala Coral Group Limited, Chairman of the South Central Ambulance Service NHS Trust and a member of the Low Pay Commission. Formerly held Board positions at Ladbrokes PLC, The Compass Group PLC, Chef and Brewer and Allied Leisure PLC.

8. **MILES EMLEY * †**
   NON-EXECUTIVE DIRECTOR
   Appointed to the Company in 1998. He is Chairman of St Ives PLC. Former Director of NM Rothschild & Sons Limited and UBS Phillips and Drew.

9. **ROSALIND CUSCHIERI * †**
   NON-EXECUTIVE DIRECTOR
   Appointed to the Company in October 2006. She is Commercial Director of Warburtons Limited. She was previously responsible for the off trade category marketing with Scottish and Newcastle plc.

10. **ROBIN HODGSON — THE LORD HODGSON OF ASTLEY ABBOTS CBE * †**
    NON-EXECUTIVE DIRECTOR
    Appointed to the Company in 2002. He is Chairman and Director of Nova Capital Group Limited, Johnson Brothers & Co Limited, Tenet Group Limited, EIS Optics Limited and RFIB Group Limited.

11. **ANNE-MARIE BRENNAN**
    COMPANY SECRETARY
    Joined the Company in 1997 and appointed Company Secretary in 2004.

* Member of the Remuneration and Audit Committees
† Member of the Nomination Committee

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DIRECTORS' REPORT FOR MARSTON'S PLC

Company Registration Number 31461

The Directors present their report, together with the audited financial statements of the Group, for the 52 week period ended 3 October 2009.

Principal activities

The Group's principal activities are operating managed, tenanted and leased public houses, brewing beer and wholesaling beer, wines and spirits.

Business Review

The Chairman's Statement on pages 2 and 3 and the Business Review on pages 8 to 22 provide detailed information relating to the Group and its strategy, the operation of its divisions and the results and financial position for the financial period ended 3 October 2009.

Details of the principal risks and uncertainties facing the Group are set out in the Corporate Governance Report on pages 31 to 36.

All of the above are incorporated by reference in (and shall be deemed to form part of) this report.

Dividends

An interim dividend of 3.44p (adjusted to reflect the impact of the issue of new shares under the rights issue on 22 July 2009) per ordinary share was paid on 30 June 2009. The Directors recommend a final dividend of 3.70p per ordinary share to be paid on 2 February 2010 to shareholders on the register on 18 December 2009. This would bring the total dividend for the period ended 3 October 2009 to 7.14p per ordinary share (2008: 9.5p (adjusted)). The payment of the final dividend is subject to shareholder approval at the Annual General Meeting (AGM).

Research and development

The Group supports in-house research and development as well as through the British Beer and Pub Association and Brewing Research International.

Treasury management

The Group's policy on the use of financial instruments is set out in note 20 to the financial statements on page 76.

Change of control

There are a number of agreements that take effect after, or terminate, upon a change of control of the Company, such as commercial contracts, bank loan agreements, property lease arrangements and employee share plans. None of these are considered to be significant in terms of their likely impact on the business of the Group as a whole. Furthermore, the Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Capital structure

Details of the authorised and issued share capital, together with details of the movements in the Company's issued share capital during the period, are shown in note 27 to the financial statements on page 87. The Company has one class of ordinary shares and one class of preference shares which carry no right to fixed income. On a poll vote, ordinary and preference shareholders have one vote for every 25p of nominal value of ordinary and preference share capital held in relation to all circumstances at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

The Company announced a rights issue of new shares at 59.0 pence per share for qualifying shareholders on 18 June 2009. The rights issue was undertaken on the basis of 11 new shares for every 10 existing shares held by the qualifying shareholders. Shareholders approved the necessary resolutions at an Extraordinary General Meeting (EGM) of the Company on 6 July 2009. A total of 298,865,230 new ordinary shares were issued to qualifying shareholders or subscribers for those shares.

Details of employee share schemes are set out in note 26 to the financial statements on page 84. Shares held by the Employee Benefit Trust abstain from voting.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

Under its Articles of Association, the Directors have authority to issue up to an aggregate nominal amount of £2,104,870 of the Company's share capital as set at the EGM held on 6 July 2009.

Directors and their interests

Details of changes to the Board during the period and of the Directors offering themselves for reappointment at the AGM are set out on page 31.

Details of Directors' service agreements are set out in the Directors' Remuneration Report on pages 37 and 38.

The interests of the Directors in the shares of the Company are shown on page 40.

Biographies of the Directors currently serving on the Board are set out on page 27.

Directors' indemnities

As at the date of this report, indemnities are in force under which the Company has agreed to indemnify the Directors to the extent permitted by law and the Company's Articles of Association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries.

Supplier payment policy

The Group's payment policy follows the CBI's Prompt Payment Code for all suppliers. Copies of this Code can be obtained from the Company's registered office. Trade payables for the Group at the financial period end are estimated as representing 39 days' purchases (2008: 42 days' purchases) and for the Company were nil (2008: nil).

Contributions for political and charitable purposes

Donations to charitable organisations during the period amounted to £9,000 (2008: £14,000). These were made across the divisions to various local and national charities, further details of which can be found in the Corporate and Social Responsibility Report on page 24. The Group's policy is not to make any donations for political purposes in the UK or to donate to EU political parties or incur EU political expenditure. Accordingly, neither the Company nor its subsidiaries made any political donations or incurred political expenditure in the financial period under review (2008: nil).

Environmental policy

Environmental policy is determined by the Board. Performance against preset objectives is reviewed regularly by a committee of the Board chaired by Stephen Oliver, Managing Director of Marston's Beer Company. Further details can be found in the Corporate and Social Responsibility Report on page 25 and in the 2009 Environmental Report on www.marstons.co.uk.

Substantial shareholdings

As at 3 December 2009, the Company had been notified under the Disclosure and Transparency Rules and, for the preference shares, with reference to the Register of Members, of the following substantial interests in the share capital of the Company:

Ordinary shares of 7.375p each

Shareholder	Number	%
Prudential plc	43,292,031	7.59
Legal & General Group Plc	22,441,741	3.93
Artemis Investment Management Ltd	28,748,591	5.04
Henderson Global Investors Ltd	32,019,399	5.61

Preference shares

Shareholder	Number	%
Fiske Nominees Ltd	34,048	45.40
Medlock & Medlock Ltd	6,750	9.00
George Mary Allison Ltd	5,500	7.33
Mrs A Somerville	5,500	7.33
Mr P F Knowles	4,356	5.81
Mr A W R Medlock	3,657	4.88
R C Greig Nominees Ltd	3,283	4.38
Mr A F Southall	2,855	3.81

Authority to purchase shares

The Company was given authority at its AGM in 2009 to make market purchases of ordinary shares up to a maximum number of 40,726,931 shares. Similar authority will again be sought from shareholders at the 2010 AGM.

Following completion of the share buy-back programme, on 8 October 2008, the Company cancelled 950,000 ordinary shares that were held in Treasury to ensure that the number of shares held in Treasury did not exceed 10% of the Company's issued share capital.

Employees

The average number of employees within the Group is shown in note 5 to the financial statements on page 64.

Further details of arrangements relating to employees are described in the Corporate and Social Responsibility Report on page 23.

DIRECTORS' REPORT CONTINUED

Auditors

In the case of each of the persons who are Directors of the Company at the date when this report was approved the following applies:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Relevant audit information means information needed by the Company's auditors in connection with preparing their report. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

PricewaterhouseCoopers LLP has indicated its willingness to continue as auditors. A resolution to reappoint them will be proposed at the 2010 AGM.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review. The financial position of the Group is described on pages 21 to 22. In addition, note 20 to the financial statements on page 76 includes the Group's objectives, policies and processes for managing its exposures to interest rate risk, foreign currency risk, counterparty risk, credit risk and liquidity risk. Details of the Group's financial instruments and hedging activities are also provided in note 20.

The Board has a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements set out on pages 49 to 94 and 96 to 104 have been prepared on the going concern basis.

Annual General Meeting

The AGM of the Company will be held at Walsall Football Club, Banks's Stadium, Walsall at 12 noon on 29 January 2010. The notice convening the meeting, together with details of the special business to be considered and explanatory notes for each resolution, is distributed separately to shareholders. It is also available on the Company's website: www.marstons.co.uk, where a copy can be viewed and downloaded in a 'pdf' format which may be printed or saved by following the link to Investors and then Financial Reports.

By order of the Board

Anne-Marie Brennan
Company Secretary
3 December 2009

| **1.** Sizzling beef and a pint of Banks's. | **2.** The Stag's Leap, Rugeley. | **3.** Newhall Farm, Cannock. |

CORPORATE GOVERNANCE REPORT

The Combined Code on Corporate Governance

The Combined Code on Corporate Governance (the "Combined Code") issued by the Financial Reporting Council in June 2008 sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice. The Financial Services Authority requires companies listed in the UK to disclose how they have applied its principles and whether they have complied with its provisions throughout the accounting year. Where the provisions have not been complied with companies must provide an explanation for this.

The Board of Directors of Marston's PLC recognises the importance of strong corporate governance procedures and is committed to the highest standards of corporate governance. The Company has complied with the provisions of Section 1 of the Combined Code with the exception of provision A.3.2 which recommends that at least half of the Board, excluding the Chairman, should comprise independent Non-executive Directors.

This report sets out details of how the Company has applied the principles and provisions of the Combined Code. Further information on the Combined Code can be found on the Financial Reporting Council's website, www.frc.org.uk.

The Board

The Directors are responsible to shareholders for ensuring that the Company is appropriately managed and that it achieves its objectives. It meets regularly to determine the Company's strategic direction, to review the Company's operating and financial performance and to ensure that adequate resources and effective controls are in place to enable the Company to meet its objectives. Matters requiring Board approval include:

- Group strategy, business objectives and annual plans;
- Major capital expenditure, acquisitions and disposals;
- Financial reporting and controls;
- Capital structure and dividend policy;
- Health and safety and environmental policies;
- Overseeing the Company's internal control systems;
- The constitution of Board committees; and
- Corporate governance arrangements.

Matters that are not specifically reserved for the Board and its Committees under their terms of reference, or for shareholders in general meeting, are delegated to the Chief Executive.

At Board and Committee meetings, Directors receive regular reports on the Group's financial position, risk management, regulatory compliance, key business operations and other material issues. Directors are fully briefed in advance of Board and Committee meetings on all matters to be discussed and the Chairman agrees the agenda of each meeting with the Chief Executive and Company Secretary. The Company Secretary is responsible for following Board procedures and advising the Board, through the Chairman, on governance matters. All Directors have access to her advice and services.

The Board has adopted a procedure whereby Directors may, in the performance of their duties, seek independent professional advice at the Company's expense if considered appropriate. During the year the members of the Remuneration Committee sought independent advice from Deloitte LLP on a review of senior executive remuneration.

The Directors

The Combined Code recommends that at least half the Board, excluding the Chairman, should comprise Non-executive Directors determined by the Board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the Director's judgement. The Nomination Committee regularly reviews Directors' interests in which all potential or perceived conflicts, including time commitments, length of service and other issues relevant to their independence, are considered.

The Board comprises five Executive Directors, four independent Non-executive Directors and the Chairman. The Chairman could not be considered independent at the time of his appointment under the requirement of the Combined Code because of his past experience as a long-serving Executive Director. Miles Emley has served on the Board as a Non-executive Director for more than nine years, which the Combined Code states could be relevant to the determination of a Non-executive Director's independence. The Board has determined that Miles Emley continues to be a person of independent character and judgement and so may still be regarded as an independent Director for Combined Code purposes. It is the Board's view that Non-executive Directors present an objective, rigorous and constructive challenge to management, drawing on their wider experiences to question assumptions and viewpoints and where necessary defend their beliefs. The Board considers that the current balance of Executive and Non-executive Directors is such that no one individual or small group can dominate the Board's decision-making process.

During the year, Paul Inglett, Finance Director resigned with effect from 31 March 2009 following over twenty years' service with the Company. Andrew Andrea was appointed as Finance Director with effect from 31 March 2009 and his biography can be found on page 27.

Each Director is required to be elected by shareholders at the Annual General Meeting (AGM) following his/her appointment by the Board and to be re-elected at least once every three years. Non-executive Directors are appointed for terms of three years. In addition, Miles Emley, a Non-executive Director who has served on the Board for more than nine years is subject to annual re-election by shareholders. David Thompson, Ralph Findlay and Alistair Darby are standing for re-election at the forthcoming AGM and Andrew Andrea, who was appointed since the last AGM, will also be standing for election.

The Chairman and Group Chief Executive

The roles of the Chairman and Chief Executive are, in accordance with the Combined Code, carried out by David Thompson and Ralph Findlay respectively. The Chairman's priority is the leadership of the Board and the Chief Executive's priority is the management of the Company. During the year the Chairman continued his appointment as Executive Director of Ragleth Ltd which is the controlling shareholder of Anglia Maltings (Holdings) Ltd. He has no controlling interest in Ragleth Ltd and consequently the transactions between the Group and Ragleth Ltd are not Related Party Transactions as defined by International Financial Reporting Standards. Other significant commitments of the Chairman are set out in his biography on page 27. The Board is satisfied that they do not restrict him from carrying out his duties as Chairman effectively.

Senior Independent Director

Under the Combined Code the Board appoints one of the Non-executive Directors to act as Senior Independent Director. The main responsibility of the Senior Independent Director is to be available to shareholders should they have concerns that they have been unable to resolve through normal channels or when such channels would be inappropriate. The Senior Independent Director is also responsible for leading the Board's discussion on the Chairman's performance and the appointment of a new chairman, when appropriate. Lord Hodgson served as the Senior Independent Director during the year.

Board effectiveness

The effectiveness of the Board is vital to the success of the Group and the Chairman leads an annual evaluation, assisted by the Company Secretary, to assess the performance of the Board, its Committees, and each of its individual Directors. Where relevant, and not in respect of their own performance, the Chairman and Chief Executive are involved in evaluating the composition of the Boards and Committees, the meetings process, information and training, leadership, effectiveness and compliance with the Combined Code.

All Directors complete a questionnaire evaluating the Board and its Committees, its processes and the effectiveness of their own contribution to the Board's performance. In addition, the Chairman holds one-to-one meetings with each Director and the Company Secretary.

The performance of the Chairman is evaluated by the Senior Independent Director through consultation with the other Directors and a meeting of the Non-executive Directors, without the Chairman being present.

Separately, each Committee undertakes an evaluation of its work during the year and report their conclusions to the Board. For the period under review, each Committee concluded that it was operating effectively.

Following this review, the results and observations were summarised by the Chairman in a report to the Board. It concluded that the Board and its Committees operate effectively and agreed actions in respect of certain processes identified for improvement. Additionally, the Chairman has concluded that each Director is contributing effectively to the Group's performance and demonstrates full commitment to his/her duties.

Training and development

The Board believes strongly in the development of all its employees and Directors. The form that this development takes is tailored to each Director's individual requirements. Training needs are discussed with each Director as part of the annual evaluation exercise.

The Board has a comprehensive induction programme consisting of several separate sessions covering the operations of the Group, briefings on financial matters, key risks, Board procedure and governance and visits to sites across the Group.

The Board holds at least one Board meeting per year at one of the Group's brewery sites and takes the opportunity to tour the site, meet with operational and local management to discuss issues and gain a deeper understanding of the operations.

Board meetings and attendance

The Company requires Directors to attend all meetings of the Board and the Committees on which they serve and to devote sufficient time to the Company in order to perform their duties.

The attendance of the Directors at the Board and Committee meetings held during the period is set out below. There were 11 scheduled Board meetings, of which 3 were held away from Head Office. Three additional meetings were held in connection with the Rights Issue. The Directors also met off-site for a day to consider the Group's strategy.

Name	Board	Rem	Nom	Audit
David Thompson	14/14	—	2/2	—
Lord Hodgson	13/14	3/3	2/2	3/4
Miles Emley	14/14	3/3	2/2	4/4
Rosalind Cuschieri	13/14	2/3	2/2	3/4
Neil Goulden	14/14	3/3	2/2	4/4
Ralph Findlay	14/14	—	2/2	—
Derek Andrew	14/14	—	—	—
Alistair Darby	14/14	—	—	—
Stephen Oliver	14/14	—	—	—
Paul Inglett*	6/6	—	—	—
Andrew Andrea†	8/8	—	—	—

* Paul Inglett resigned on 31 March 2009.
† Andrew Andrea was appointed in 31 March 2009.

Board Committees

The Board has established the following standing Committees to oversee and debate important issues of policy and assist in attending to its responsibilities:

- Audit Committee;
- Nomination Committee;
- Remuneration Committee.

The terms of reference of the Audit, Remuneration and Nomination Committees comply with the provisions of the Combined Code and are available for inspection, on the Company's website www.marstons.co.uk. Alternatively, they may be obtained on written request from the Company Secretary at the registered office.

The membership of all Board Committees is set out on page 27.

Audit Committee

The Audit Committee comprises Miles Emley (chairman), Lord Hodgson, Rosalind Cuschieri and Neil Goulden. The Board considers that the Committee members have relevant experience. By invitation of the Committee, other individuals such as the Chief Executive, Finance Director and Corporate Risk Manager will normally be in attendance for all or part of those meetings. Annually, the external auditors meet with the Committee without any Executive Directors being present.

The Committee met 4 times during the period to review the results of the full year audit, approve the interim results, consider the risks to the Group and the effectiveness of the Company's internal controls and risk management systems, review the performance of the external auditors and provide guidance on the internal audit strategy. The Committee also monitors the relationship with the external auditors, agrees their scope of work and approves their audit fees. It assesses annually the cost effectiveness, objectivity and independence of the external auditors. PricewaterhouseCoopers LLP have been the Company's external auditors for a number of years. The Committee has evaluated the performance of the external auditors during the period concluding that it was satisfactory. The Committee is also satisfied with the effectiveness and independence of the external auditors and hence has recommended their re-appointment to the Board.

When appointing advisers for non-audit work, the Group considers the value for money, experience and objectivity required and in this respect it has used other accounting firms for a range of non-audit work. The Group also uses the external auditors for non-audit services such as taxation advice and planning. Where non-audit work is expected to be in excess of an agreed monetary amount, the chairman of the Audit Committee must approve the use of the external auditors. The level of non-audit services provided by the auditors and the associated fees are considered annually by the Committee, in the context of the auditors' independence, as part of the Committee's review of the adequacy and objectivity of the audit process. In reaching this conclusion the Committee considered a report prepared by PricewaterhouseCoopers LLP, reviewing the potential threats to their objectivity and independence in the light of the ethical standards issued by the Auditing Practices Board. Where a potential risk was identified the Committee was satisfied that the safeguards that the external auditors had put in place were sufficient to prevent a threat to their independence and objectivity.

The Audit Committee has reviewed the risk management process and the process by which the Board reviews effectiveness of the system of internal control during the period ended 3 October 2009 and has reported to the Board on the outcome of this review.

The Committee also has responsibility for the Group's "whistleblowing" policy and annually reviews the arrangements under this policy.

Remuneration Committee

The Remuneration Committee comprises Lord Hodgson (chairman), Miles Emley, Rosalind Cuschieri and Neil Goulden, with Ralph Findlay in attendance if required. It met 3 times in the period. The Remuneration Committee determines, on behalf of the Board, service contract terms, remuneration and benefits, including bonuses, for Executive Directors and senior managers. It is also responsible for the granting of LTIP awards and share options.

Further information on the activities of the Remuneration Committee is given in the Directors' Remuneration Report on pages 37 to 45. The Directors' Remuneration Report also describes how the principles of the Combined Code are applied in respect of remuneration matters and includes a statement on the Company's policy on Directors' and senior executive managers' remuneration, benefits, share scheme entitlements and pension arrangements.

A resolution to approve the Remuneration Report will be proposed at the AGM.

Nomination Committee

The Nomination Committee is chaired by the Chairman, David Thompson, and its members are Miles Emley, Ralph Findlay, Lord Hodgson, Rosalind Cuschieri and Neil Goulden. Other Executive Directors, senior management and external advisers may be invited to attend meetings as considered appropriate. The Nomination Committee has responsibility for considering the size, structure and composition of the Board, retirements and appointments of additional and replacement Directors, succession planning and making recommendations so as to maintain an appropriate balance of skills and experience on the Board.

CORPORATE GOVERNANCE REPORT CONTINUED

The Committee meets at least twice a year. No Director is involved in any decision regarding his or her own re-appointment.

During the year, the Committee met to consider the process for selection and appointment of a new Finance Director to replace Paul Inglett. The skills, knowledge and experience required for the role were identified and a list of candidates produced. The Committee agreed to recommend to the Board the appointment of Andrew Andrea with effect from 31 March 2009. The Board is satisfied that Andrew Andrea's appointment was objectively made on merit and followed the Group's succession planning criteria.

Conflicts of interest

In line with the Companies Act 2006, the Articles of Association were amended at the 2008 AGM to allow the Board to authorise potential conflicts of interest that may arise and to impose such limits or conditions as it thinks fit. The decision to authorise a conflict of interest can only be made by those Directors who have no interest in the matter being considered and in making such decision the Directors must act in a way they consider in good faith will be most likely to promote the Company's success. The Company has established a procedure whereby actual and potential conflicts of interest are regularly reviewed by the Board and for the appropriate authorisation to be sought prior to the appointment of any new Director or if a new conflict arises. This procedure operated effectively during the period.

Directors' insurance and indemnities

The Group maintains Directors' and officers' liability and indemnity insurance to cover its Directors and officers against the costs of defending themselves in civil proceedings brought against them in that capacity and in respect of damages resulting from any unsuccessful defence of any proceedings.

Communication with shareholders

The Company places considerable importance on communication with shareholders and engages with them on a wide range of issues.

The Company has an ongoing programme of dialogue and meetings between the Executive Directors and institutional investors, fund managers and analysts. At these meetings a wide range of relevant issues including strategy, performance, management and governance are discussed within the constraints of information already made publicly available.

The Directors consider it important to understand the views of shareholders and, in particular, any issues which concern them. The Board receives written feedback from analysts and institutional shareholders on meetings with management. During the year, the Chairman and Senior Independent Director met with the Company's major institutional investors who are also able to make arrangements to meet with newly appointed Directors if required.

The Board is equally interested in the concerns of private shareholders and, on its behalf, the Company Secretary oversees communication with these investors. All material information reported to the regulatory news services is simultaneously published on the Company's website affording all shareholders full access to Company announcements.

The Company has taken full advantage of the provisions within the Companies Act 2006 allowing communications to be made electronically to shareholders where they have not requested hard copy documentation. As a result the Company's website has become the primary method of communication for the majority of its shareholders. Details of the other information available for shareholders on the website include comprehensive share price information, financial results and financial calendars.

The Company's annual report and accounts, together with the Company's interim management statements and other public announcements are designed to present a balanced and understandable view of the Group's activities and prospects and are available on the Company's website. The Chairman's Statement and Business Review provide an assessment of the Group's affairs and they will be supported by a presentation to be made at the AGM.

The Company's AGM provides a valuable opportunity for the Board to communicate with private investors. At the meeting, the Company complies with the Combined Code as it relates to voting, the separation of resolutions and the attendance of Committee chairmen. Whenever possible, all Directors attend the Annual General Meeting and shareholders are invited to ask questions during the meeting and have an opportunity to meet with the Directors following the conclusion of the formal part of the meeting. In line with the Combined Code, details of proxy voting by shareholders, including votes withheld, are made available on request and are placed on the Company's website following the meeting.

Internal controls

The Combined Code requires Directors to review and report annually to shareholders on the effectiveness of the Company's systems of internal control which include financial, operational and compliance controls and risk management. The Board has overall responsibility for the Group's systems of internal control and for monitoring their effectiveness whilst the implementation of internal control systems is the responsibility of management. The Group's systems of internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material financial misstatement or loss.

The systems are designed to:

- Safeguard assets;
- Maintain proper accounting records;
- Provide reliable financial information;
- Identify and manage business risks;
- Maintain compliance with appropriate legislation and regulation; and
- Identify and adopt best practice.

The principal features of the control framework and the methods by which the Board satisfies itself that it is operating effectively are detailed below.

Control environment

The principal elements of the system of internal control, which is designed to ensure there is an ongoing process to identify, evaluate and manage the risks to which the Group is exposed, include:

- a management structure which clearly defines authority levels, responsibility and accountability; and
- a detailed formal budgeting process for all Group activities with the annual Group budget being formally approved by the Board; and
- a process to ensure Board approval is given to all major investment, divestment and strategic plans including capital expenditure, disposals and development programmes.

The internal audit function has co-ordinated, on behalf of the Board, an annual review of the effectiveness of all the key controls of the business. This includes a Group-wide certification that internal controls are in place and are operating effectively. The internal audit function has carried out additional work on selective controls as well as aligning internal audit projects to verify the certification of effectiveness. Where weaknesses have been identified by the managers, information has also been provided on the plans to improve such controls. The results of the exercise are summarised and an overall assessment reported to the Audit Committee. The review confirmed that there is a clear link between the key risks of the business and the controls used to manage those risks. Ownership of the controls by the managers within the business is well defined and there are no significant weaknesses that require remedial actions to take place.

Risk identification, assessment and management

There is in place an ongoing process for identifying, evaluating and managing the significant risks faced by the Group which has operated during the year and up to the date of signing this report. The Group's risk management and governance framework is designed to support the identification, assessment, monitoring, management and control of risks that are significant to the achievement of the Group's business objectives. The Chief Executive meets regularly with the Corporate Risk Manager to review the risks faced by the Group and the Board reviews risk annually. These reviews cover strategic, financial, operational and compliance risks.

Managers are required to identify key internal controls for each of the risks they are responsible for and to identify the control owners. The identified risks are then classified and recorded in the Group's risk register. Of key importance to the Group's risk management programme is the identification of risks by the Corporate Risk Manager who in turn allocates ownership of key risks. The results are reported to the relevant divisional Managing Director who in turn prioritises the key risks for their management teams. The Group's risk register is reported to every Audit Committee meeting which, in turn, provides an update to the Board.

The internal audit strategy takes into account the key business risks of the Group and provides assurance to the Audit Committee on the effectiveness of the internal control environment in mitigating the risks to an acceptable level. The risk management programme provides vital information to ensure that the internal audit strategy provides sufficient coverage of the critical areas of internal control.

Principal risks and uncertainties

The following represents in the opinion of the Board the principal risks of the business. It is not a complete list of all the risks and the priority, impact and likelihood of the risks can change quickly over time.

Economic conditions

As the Group operates in the leisure sector, the business is reliant upon consumer levels of discretionary spend. The recent unsettled economic conditions in the UK have impacted upon customer behaviour in all market sectors and in particular on the leisure sector. Next year, there remains a risk that the UK's economic recovery will be slow, or that the economy could dip again. There consequently remains a risk that the leisure sector could be adversely affected by further economic uncertainty impacting upon consumer confidence.

During 2009, the UK economy has been supported by the Government's policy of 'quantitative easing' whereby money has been injected into the economy by purchasing gilts and other assets. This economic stimulus is expected to be reined in, and future Government policy on the economy will seek to improve the UK's budget deficit, which could impact upon public spending, unemployment levels and taxation. There is a risk that government policy in all these areas could impact upon consumer behaviour and constrain the money that consumers have to spend upon leisure.

The risk of future VAT increases impacts upon our managed houses, tenants, free trade customers and national account sales. The UK's VAT rate has remained at 15% throughout 2009, but will rise back to 17.5% on 1 January 2010. There is a risk that Government policy in order to raise general taxation could increase the rate further in 2010. There is a risk that future increases of VAT on goods purchased by the Group could adversely affect customer behaviour, particularly as a further increase in alcohol duty of 2% above inflation is planned by the Government each year until 2012.

The strength of the UK economy is invariably reflected in property values. The Group is a major property owner within the UK and its pub values are consistent with future earnings. In 2009, the Group incurred a significant impairment to property values to ensure that the asset values at the balance sheet date are not overstated. However, there remains a risk that property values in the UK, and within the pub market sector, could decrease further and that additional impairments would have to be reflected in the financial statements. In addition, depressed property prices could restrict the Group's ability to actively manage the estate through selling properties and investing the funds raised in new opportunities.

The tenants and free trade customers, with whom the Group trades, are in essence small businesses prone to risks similar to many other small businesses in the UK. Economic factors such as the ability to obtain credit, property values, taxation costs, and inflation could all directly affect the profitability of these businesses, which could in turn affect the Group's own operating performance.

Legislation

In recent years there has been increased focus upon health concerns and law and order issues in connection with alcohol consumption. There is a risk that the UK Government could introduce further legislation restricting the sale of alcohol and the operation of licensed premises, or use higher duty rates to discourage the purchase of alcohol.

There is a risk that the Government will impose further restrictions on alcohol sales and licensed premises if the industry sector cannot continue to demonstrate a high level of self governance to prevent underage drinking, to discourage anti-social behaviour and wherever possible promote responsible drinking.

Reputation

The Company is a well-invested, visible and national brand. There is a risk that the Company's reputation could reduce if it is not properly protected. The reputation of the Group is central to its relationship with investors, customers, staff, suppliers and regulatory authorities.

For investors, financial performance of the Group is key. In addition, the Company's rights issue in July 2009 has committed the Group to development and performance targets, which if not met could risk impacting upon the Group's reputation amongst investors.

Risk to reputation regarding other stakeholders relate to levels of service, quality of customer experience, quality of products, continuity of supply, safety, professionalism, legal compliance, corporate responsibility and governance.

Operational control

The control of treasury risks and in particular the management of our banking and securitisation covenants to ensure operational compliance are explained in the Financial Review on pages 21 to 22.

Internal accounting controls are essential in order to operate daily financial transactions securely, and to guard against any misstatement of results. Such risks are largely mitigated by using appropriate authority levels for the approval of transactions, segregating duties and producing detailed reports of financial results throughout the year.

All the Group's operational activities are heavily reliant upon IT in order to deliver the expected profit margin. The ability of the Group's communications network to process management information, conduct financial transactions, place supplier orders and receive customer orders without delay or interference is essential to the smooth running of the business. The IT infrastructure is designed to have sufficient capacity and is protected behind a robust firewall from interference. Business continuity controls are designed to ensure that the recovery of the IT system can be achieved within acceptable tolerances.

The funding of the final salary pension is a risk for the Group. The management of the deficit is explained in the Financial Review. Investment returns as well as the assumptions taken regarding future salaries and longevity all impact upon the valuation of the scheme and its future liabilities. This uncertainty is controlled by conducting triennial valuations of the scheme, and by setting the Group's top-up contributions at a sufficient level.

DIRECTORS' REMUNERATION REPORT

This report has been prepared by the Remuneration Committee and approved by the Board. It has been written in line with the requirements of Section 992 of the Companies Act 2006, the Combined Code on Corporate Governance and the Listing Rules of the FSA. Shareholders will be invited to approve the report at the forthcoming AGM to be held on 29 January 2010.

Composition and Terms of Reference of the Remuneration Committee

The Remuneration Committee is appointed by the Board and comprises Lord Hodgson (Chairman), Miles Emley, Rosalind Cuschieri and Neil Goulden (with effect from 31 October 2008), all of whom are regarded as independent Non-executive Directors.

The Committee is responsible for setting the framework and policy for the remuneration of the Executive Directors, which it reviews annually for appropriateness and relevance. It is also responsible for determining the specific elements of the Executive Directors' remuneration, their contractual terms and compensation arrangements. In addition, the Committee monitors the level and structure of remuneration for senior management and approves their bonus payments. It also oversees any major changes in employee benefit structures throughout the Group. The Terms of Reference of the Committee can be found in the Investors' section of the Company's website at www.marstons.co.uk.

In setting policy and compensation levels, the Remuneration Committee has due regard to the Combined Code. The Committee took advice during the period from the Chief Executive, Ralph Findlay, and Deloitte LLP (Deloitte). Ralph Findlay did not, however, provide any advice in relation to his own remuneration. Deloitte are retained by the Company to provide independent advice with regard to general remuneration levels and comparator group information for Executive Directors. In addition they are currently assisting with a review of the Long-Term Incentive Plan (LTIP) and alternatives to existing pension provision. Deloitte was also independently appointed by the Company to assist with specific internal audit projects, as directed by the Corporate Risk Manager.

Remuneration policy

The Group's remuneration policy is to ensure that the remuneration of Executive Directors is sufficiently competitive to enable the Group to retain and motivate existing Directors and attract high quality performers in the future. The Committee undertakes an annual review of market practice and considers the remuneration levels of directors in companies of similar size from within and outside the industry sector. The Group aims to incentivise and reward its Executive Directors in a way that is consistent with the Group's commercial objectives and to align the interests of the Directors with those of shareholders. To achieve this, the Executive Directors' total remuneration comprises both fixed remuneration and variable reward, the latter reflecting both Company performance and individual achievement. The main fixed and variable elements of remuneration for Executive Directors are set out below. Only the basic salary element is pensionable.

Fixed	**% of salary**
■ basic salary;	
■ benefits in kind (detailed in the notes to the Directors' emoluments table on page 41);	
■ pension benefits.	
Variable	
■ annual award of share options under the LTIP, vesting after 3 years, subject to performance conditions being met;	up to 100%
■ annual bonus related to Company performance and individual objectives.	up to 100%

The Group's remuneration policy in respect of Non-executive Directors is to pay annual fees which reflect the responsibilities and duties placed upon them, whilst also having regard to market practice.

Service contracts

The Group's policy is that all Executive Directors' contracts are on a rolling 12 month basis. They are subject to 12 months' notice when terminated by the Group and 6 months' notice when terminated by the Executive Director. David Thompson has a 6 month rolling contract. The table below details the Executive Directors' and David Thompson's service contracts.

Payments to Directors upon termination of their contracts will be equal to the Director's basic salary for the duration of the notice period. For new Directors, including Andrew Andrea, who was appointed as a Director during the year, any payment of salary during their notice period will be reduced by any amount earned in that period from alternative employment. There is no reduction for mitigation or for early payment for the other Executive Directors listed overleaf as the Remuneration Committee has taken the view that as long standing employees of the Group they would merit full compensation in the event of unilateral termination of their employment by the Group.

With the exception of David Thompson, the Non-executive Directors do not have a service contract and their appointments may be terminated without compensation at any time. All Non-executive Directors have letters of appointment and their appointment and subsequent re-appointment is subject to approval by shareholders.

The Committee has reviewed these arrangements in the light of current market practice and the relevant provisions of the Combined Code and considers that they are appropriate and in the interests of shareholders, the Group and the individuals concerned.

DIRECTORS' REMUNERATION REPORT CONTINUED

	Date of Contract	Notice Period (Group)	Notice Period (Director)
Derek Andrew	22 July 2004	12 months	6 months
Alistair Darby	16 May 2003	12 months	6 months
Ralph Findlay	15 Aug 2001	12 months	6 months
Andrew Andrea	31 Mar 2009	12 months	6 months
Stephen Oliver	15 Aug 2001	12 months	6 months
David Thompson	24 Jan 2002	6 months	6 months

Salaries

Salaries for Executive Directors were reviewed as at 1 October 2008 following an independent review of executive remuneration by Deloitte. This review included consideration of the packages offered by appropriate comparator companies having regard to their comparable size, complexity and sector.

As stated above, the aim of the Group is to provide a competitive remuneration package to attract, retain and motivate key executives. In this regard, salaries for the Executive Directors are targeted at remaining competitive compared to appropriate comparator companies. When positioning the Executive Directors' base salaries the Committee considers:

- Salary levels for similar jobs in appropriate comparator companies;
- The performance, experience and relative responsibilities of the individual;
- The balance between fixed and variable reward; and
- Relative remuneration levels throughout the organisation.

Having regard to the economic environment, uncertain outlook and pay and conditions elsewhere in the Group no Director has received a salary increase for the period under review.

No Executive Director earns fees outside their employment with the Group.

Bonuses

At the start of the year the Remuneration Committee approved a change to the basis of payout for all bonus schemes operating within the Sales, Operations and Supply Chain functions and Head Office, including Executive Directors. This will apply for the period under review only and any extension of the arrangement to subsequent years will be subject to review and approval by the Remuneration Committee. Previously, bonus objectives were based on a combination of Group profit achievement and personal objectives. For 2008/2009 the level of payment made to any individual is based solely on the level of Group profit achieved, and is determined by the Remuneration Committee who retain discretion over the level of payout. This was done to align bonus payments with the Group's objectives of delivering profit.

Of the 100% maximum bonus payout to Directors, 40% is payable if the Group achieves its profit target with 100% payable if the Group exceeds its profit target by 10% or more.

In all other respects the terms and conditions for bonus payments are unchanged from previous periods. Bonuses for the current year are payable in December 2009.

Whilst the Committee cannot disclose the actual profit target because it is regarded as commercially sensitive, it is satisfied that this is appropriately challenging. Under the 2008/2009 annual bonus scheme no bonuses were paid to the Executive Directors.

Share incentive schemes

The Group operates executive share option schemes, a Long Term Incentive Plan and a Save As You Earn share option scheme.

Executive share options

The 1994 Executive Share Option Scheme is an HMRC approved scheme and the 1997 Executive Share Option Scheme is a non-HMRC approved scheme which was used to make awards to Executive Directors and other selected employees above their £30,000 tax efficient limit. The 1994 scheme expired in January 2004 and this, together with the 1997 scheme, was replaced by the 2004 Executive Share Option Scheme which was approved by shareholders at the Annual General Meeting (AGM) held on 23 January 2004. Executive share options are awarded at the prevailing market rate on the date of grant. Options are normally exercisable between three and ten years after grant and upon the achievement of stated performance criteria.

The exercise of executive share options granted under the 1994 and 1997 schemes have all met their exercise criteria. These were subject to the Group achieving growth in earnings per share (EPS) in excess of the growth in the retail price index (RPI) by an average of 2.0% per year over a three-year performance period. For the 2004 scheme, the growth in EPS must be in excess of the growth in RPI by an average of 3.0% per year over a three-year performance period before an option becomes exercisable. At this level of performance the value of shares under option which will vest will be up to 100% of base salary.

The maximum value of options vesting is up to 200% of salary where the growth in EPS exceeds the growth in RPI by an average of 9.0% per year. Between these two growth rates a straight-line vesting of options operates. There are no re-testing provisions under any of the schemes. The Remuneration Committee retains the discretion to change the performance measures for future awards, if appropriate, provided the new conditions are no less stretching. The levels of the target and maximum awards will not be increased without shareholder approval. The Committee believes the EPS performance conditions to be appropriate and provide proper alignment with the Group's overall performance.

No options have been granted under the executive share option schemes since 2003.

Long Term Incentive Plan (LTIP)

The Group introduced the LTIP following shareholder approval at the AGM in January 2004. Both Executive Directors and senior managers are eligible to participate and the maximum annual conditional award of nil cost options that can be made to an individual is equivalent to 100% and 35% of salary respectively. The options granted during a period will only become exercisable (vest) to the extent that the performance conditions are met. Once the options have vested the participant may choose to exercise the option at any time thereafter provided they remain an employee of the Company.

Participants will usually be required to hold shares in the Company with a cost equal to at least one times salary. Spouse holdings are taken into account in satisfying this requirement. This shareholding guideline is scaled down to 35% of salary for participants below Board level.

The options will vest to the extent that the Group's growth in EPS exceeds the growth in RPI over a period of three years.

Awards vest, on a sliding scale between each step, as follows:

% of total award vesting	Annual EPS growth required above RPI
35%	3%
100%	9%

Previously, the Remuneration Committee had discretion to allow participants the opportunity to diversify the value of up to 50% of vested options into other securities ('the switching feature'). During the period the Remuneration Committee considered the switching feature and determined that offering such an opportunity was no longer appropriate and resolved that the feature should be removed permanently with immediate effect.

The LTIP options granted in 2006, which had completed the three year performance period and were available for vesting during the period, lapsed as the performance conditions had not been met.

No grant was made in 2009.

At the time of signing this Report the Committee is reviewing the LTIP performance metrics and vesting ranges for the 2010 grant cycle to ensure they remain appropriately stretching for the 2010–2013 performance period. The targets will be set following consultation with the Company's major shareholders and will be disclosed in the 2010 Directors' Remuneration Report.

The Remuneration Committee does not intend to make awards under both the LTIP and the 2004 Executive Share Option Scheme in the same year.

Save As You Earn Share Options (SAYE)

The Group also operates an HMRC approved SAYE plan which is open to all eligible employees, including the Executive Directors, on the completion of 2 years' service.

Invitations are usually offered annually for a savings contract of 3, 5 or 7 years subject to the maximum monthly savings limit of £250. Options are granted at a discount of 20% to the market value of the Company's share price at the date of grant, subject to the agreement of the Remuneration Committee. Their exercise is not subject to performance conditions.

There have been no changes from the previous year to the terms and conditions of any of the Company's share incentive schemes.

Non-executive Directors' fees and benefits (audited information)

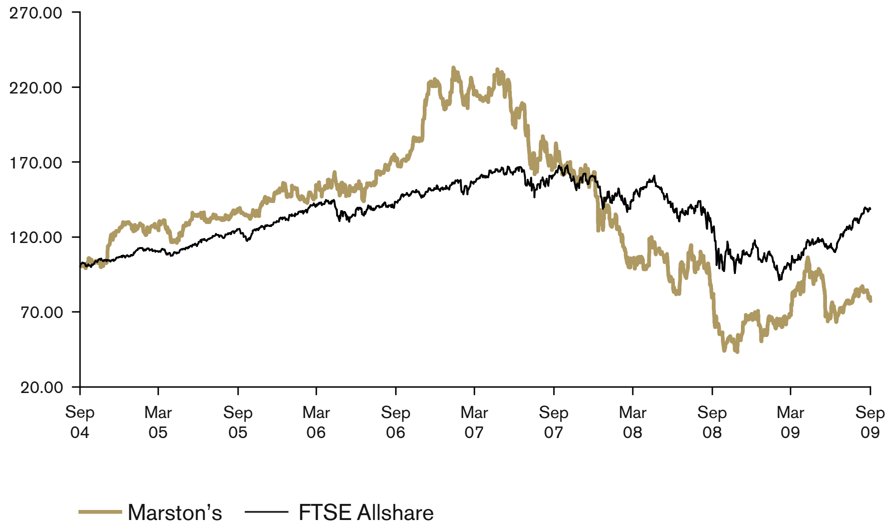
The fees for the Chairman and Non-executive Directors are determined by the Board as a whole and are normally reviewed every two years. In view of the economic climate the Non-executive Directors and Chairman have deemed it appropriate not to receive an increase in their fees this year. The fee structure for 2008/2009 was as follows:

A basic fee	£34,000 per annum
Chair of the Remuneration Committee	£5,000 per annum
Chair of the Audit Committee	£6,000 per annum
Senior Independent Director	£5,000 per annum

The Non-executive Directors do not participate in any of the Group's share incentive plans, nor do they receive any benefits or pension contributions from the Group, with the exception of David Thompson whose benefits are as set out on pages 41 and 44.

DIRECTORS' REMUNERATION REPORT CONTINUED

Total shareholder return graph



The graph shows the comparative Total Shareholder Return (TSR) performance of the Company against the FTSE All Share Index during the previous five financial years. The FTSE All Share Index has been selected as a comparator because the Group believes it is the most meaningful market index of which the Company is a member. The Group believes it would have been less meaningful to use a narrower index such as the Leisure and Hotels index for comparison purposes. The TSR indices used in the chart have been calculated in accordance with the Directors' Remuneration Report Regulations 2002 relative to a base date at the end of September 2004.

Interests of Directors

The beneficial interests of the Directors and their immediate families in the ordinary share capital of the Company following the rights issue on 22 July 2009 and at 3 October 2009 were:

	Ordinary Shares of 7.375p		
	4 October 2008	22 July 2009	3 October 2009
Executive Directors			
Ralph Findlay	357,260	758,646	758,646
Andrew Andrea[(1)]	—	42,959	42,959
Derek Andrew	355,636	841,335	841,335
Alistair Darby	125,604	196,384	196,384
Stephen Oliver	128,036	229,417	229,417
Paul Inglett[(2)]	148,632	—	—
Non-executive Directors			
David Thompson	1,186,948	1,657,823	1,657,823
Lord Hodgson	36,720	77,112	77,112
Miles Emley	35,248	74,020	74,020
Rosalind Cuschieri	1,356	88,126	88,126
Neil Goulden	10,000	168,000	168,000

(1) Appointed 31 March 2009.
(2) Resigned 31 March 2009.

Directors' emoluments (audited information)

The emoluments of the Directors for their services as Directors of the Group for the period ended 3 October 2009 were:

	Salary/ fees £	Bonus £	Non-cash benefits[7] £	Other cash benefits[8] £	**2009 Total £**	2008 Total £
Executive Directors						
Ralph Findlay	434,720	—	970	16,200	**451,890**	451,911
Andrew Andrea[1]	100,288	—	485	6,761	**107,534**	—
Derek Andrew[2]	262,724	—	693	13,500	**276,917**	275,838
Alistair Darby[3]	262,933	—	970	13,500	**277,403**	257,467
Paul Inglett[4]	130,075	—	970	6,750	**137,795**	274,641
Stephen Oliver	260,150	—	970	13,500	**274,620**	274,641
	1,450,890		5,058	70,211	**1,526,159**	1,534,498
Non-executive Directors						
David Thompson	132,000		693	16,200	**148,893**	149,191
Lord Hodgson[5]	44,000				**44,000**	42,415
Miles Emley	40,000				**40,000**	40,000
Rosalind Cuschieri[5]	34,000				**34,000**	34,000
Neil Goulden	34,000				**34,000**	17,131
Peter Lipscomb[6]	—				**—**	13,990
	1,734,890		5,751	86,411	**1,827,052**	1,831,225

(1) Appointed 31 March 2009.
(2) Derek Andrew received a one-off long service payment of £2,006 during the year. This was paid in accordance with the Company policy applicable to all long serving employees.
(3) Alistair Darby received an amount of £2,783 in the first month of the period under review. This represented back pay to reflect the pay increase he was awarded during the previous year as a result of his appointment to Managing Director of Marston's Pub Company.
(4) Paul Inglett resigned with effect from 31 March 2009. In accordance with the terms of the private healthcare plan, he retained entitlement to cover until the end of the plan year (30 September 2009). The full value of this benefit is included in the table above. In addition, he received £37,563 in salary and benefits for the period 1 April 2009 to 15 May 2009 whilst he remained with the Company.
(5) The fees relating to the services of Lord Hodgson were paid to Johnson Brothers & Co Limited, and the fees relating to the services of Rosalind Cuschieri were paid to Warburtons Limited.
(6) Resigned 25 January 2008.
(7) Non-cash benefits principally comprise private health cover.
(8) Other cash benefits represent cash allowances paid in lieu of a company car.

The Remuneration Committee has reviewed the Directors' emoluments for the current year and all salaries remain unchanged with the exception of Andrew Andrea whose salary has been increased to £240,000.

SAYE Share Options (audited information)

	Date of Grant	At 05.10.08	Granted*	Exercised	Adjusted holding*	Cancelled†	**At 3 October 2009**	Option price* p
Ralph Findlay								
	30 June 2008	9,462				9,462	**—**	123.43
	3 July 2009		16,415				**16,415**	94.72
Derek Andrew								
	30 June 2008	10,145				10,145	**—**	123.43
	3 July 2009		16,415				**16,415**	94.72
Alistair Darby								
	21 June 2005	3,144				3,144	**—**	150.70
	29 June 2007	1,021				1,021	**—**	265.52
Stephen Oliver								
	26 June 2002	12,976			18,081		**18,081**	99.39
	3 July 2009		16,415				**16,415**	94.72
Andrew Andrea	—	—	—			—	**—**	

	Date of Grant	At 05.10.08	Granted*	Exercised	Lapsed	Cancelled†	**At 31 March 2009**	Option price* p
Paul Inglett								
	21 June 2005	1,804			1,804		**—**	150.70
	30 June 2008	5,465					**5,465**	123.43

* The number of options granted or held by each Director and the relevant option price have been adjusted to reflect the impact of the rights issue completed in July 2009.

† Ralph Findlay and Derek Andrew cancelled their SAYE options granted under the 2008 invitation and Alistair Darby cancelled his SAYE options under the 2005 and 2007 SAYE invitations.

Long Term Incentive Plan (LTIP) (audited information)

	Date of grant	At 05.10.08	Granted	Vested	Lapsed	Adjusted holding*	**At 03.10.09**	Exercise period from†
Ralph Findlay								
	26.06.06	117,128			117,128		**—**	26 June 2009
	04.06.07	83,817				116,796	**116,796**	4 June 2010
	02.06.08	195,599				272,561	**272,561**	2 June 2011
Derek Andrew								
	26.06.06	71,264			71,264		**—**	26 June 2009
	04.06.07	50,268				70,047	**70,047**	4 June 2010
	02.06.08	117,308				163,465	**163,465**	2 June 2011
Alistair Darby								
	26.06.06	66,932			66,932		**—**	26 June 2009
	04.06.07	47,211				65,787	**65,787**	4 June 2010
	02.06.08	110,173				153,523	**153,523**	2 June 2011
Stephen Oliver								
	26.06.06	68,524			68,524		**—**	26 June 2009
	04.06.07	50,159				69,895	**69,895**	4 June 2010
	02.06.08	117,052				163,108	**163,108**	2 June 2011

	Date of grant	At 05.10.08	Granted	Vested	Lapsed	Adjustment for Rights Issue	**At 31.03.09**	Exercise period from*
Paul Inglett								
	26.06.06	68,524					**68,524**	26 June 2009
	04.06.07	50,159					**50,159**	4 June 2010
	02.06.08	117,052					**117,052**	2 June 2011

	Date of grant	At 31.03.09	Granted	Vested	Lapsed	Adjustment for Rights Issue	**At 03.10.09**	Exercise period from*
Andrew Andrea								
	26.06.06	8,476			8,476		**—**	26 June 2009
	04.06.07	7,051				9,825	**9,825**	4 June 2010
	02.06.08	16,377				22,821	**22,821**	2 June 2011

* The number of awards held by each Director has been adjusted to reflect the impact of the rights issue completed in July 2009.

† Provided the required shareholding and the three-year performance conditions are met, options granted under the LTIP will not expire until the end of the calendar year following the option holder's expected retirement date, or earlier at the discretion of the Remuneration Committee.

DIRECTORS' REMUNERATION REPORT CONTINUED

Directors' pensions (audited information)

Defined contribution scheme

The Company makes contributions into the Group Personal Pension Plan (GPPP) on behalf of Andrew Andrea. A rate of 10.5% of base salary is payable in return for the Director making a personal contribution of 7.5%. For the period under review the Company contribution for Andrew Andrea was £10,530 from 31 March 2009, the date of his appointment as an Executive Director.

Defined benefit scheme

The following Directors accrued benefit under the defined benefit scheme provided by the Company.

	Accrued pension at 3 October 2009 £	Change in accrued pension over 2008/2009 excluding increase for inflation £	Members' contributions over year £	Transfer Value at 3 October 2009 £	Transfer Value at 4 October 2008 £	Change in Transfer Value over 2008/2009 net of members' contributions £	Transfer Value of the increase in the accrued pension £
Derek Andrew	142,289	7,172	—	2,195,084	1,836,840	358,244	85,560
Alistair Darby	63,423	10,288	—	773,267	543,981	229,286	104,851
Ralph Findlay	67,971	12,954	—	955,711	678,536	277,175	160,674
Paul Inglett (Note 6)	44,647	4,165	—	513,150	390,291	122,859	41,002
Stephen Oliver	65,102	10,255	—	1,089,244	833,189	256,055	144,435
David Thompson	154,307	11,238	—	2,330,155	1,921,118	409,037	141,099

Notes

1. The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year from the approved pension scheme.
2. The increase in accrued pension during the year reflects that inflation over the period has been -1.4%.
3. Members of the pension scheme have the option to pay Additional Voluntary Contributions. Neither the contributions nor the resulting benefits are included in the table above.
4. The Transfer Values at 3 October 2009 are calculated in accordance with the cash equivalent transfer value basis adopted by the Trustees on 16 August 2009, after taking advice from the Scheme Actuary.
5. Member contributions are zero because of the salary sacrifice arrangement introduced by the Company from 1 November 2007.
6. Paul Inglett resigned as a Director on 31 March 2009. He ceased to be an active member of the pension scheme on 15 May 2009. Therefore, the accrued pension calculations have been carried out using service to 15 May 2009 and not to 3 October 2009.

The following additional information relates to Directors' pensions:

(a) Normal retirement age is 60.
(b) On death before retirement a lump sum is payable equal to the Director's contributions. However, some or all of this lump sum may be used to provide a statutory minimum spouse's pension. On death after retirement the spouse's pension payable is two-thirds of the member's pre commutation pension for Derek Andrew and David Thompson, 60% of the member's pre commutation pension for Ralph Findlay, Paul Inglett, Alistair Darby and Stephen Oliver's post 1 January 2002 service and 50% of the member's pre commutation pension for Stephen Oliver's pre 1 January 2002 service.
(c) Early retirement can be taken from age 50 provided the Group gives its consent. The accrued pension will then be reduced to take account of its early payment. From April 2010, the minimum age at which early retirement can take place will increase to 55.
(d) Pension increases for Derek Andrew, Ralph Findlay, David Thompson, Paul Inglett and Alistair Darby will be in line with statutory requirements before and after retirement. Stephen Oliver will receive statutory increases before retirement, post retirement increases on pension earned prior to 6 April 1997 at the rate of 3% per annum, on pension earned between 6 April 1997 and 1 January 2002 at the increase in RPI, subject to a maximum of 5% and a minimum of 3%, and on pension earned after 1 January 2002 at the increase in RPI subject to a maximum of 5%. The Trustees have the discretion to grant pension increases above these rates.
(e) There are no discretionary benefits.

Prior to 6 April 2006, Ralph Findlay, Stephen Oliver and Paul Inglett were contributing to a FURBS arrangement. A new pensions regime came into force on 6 April 2006. Following a review of benefit provisions, contributions to the FURBS for Ralph Findlay, Stephen Oliver and Paul Inglett ceased with effect from 6 April 2006. From that date, pension benefits for these Directors and Alistair Darby are accrued on full salary (previously limited to the earnings cap) from the Marston's PLC Pension and Life Assurance Scheme ("the Marston's Scheme").

Pension arrangements

At the start of the year the Group operated one defined benefit pension scheme, the Marston's Scheme, and ten defined contribution arrangements.

The Marston's Scheme

During the year, the Group operated a defined benefit pension scheme which was closed to new entrants from 29 September 1997. The Group contributed 25% of the pensionable payroll until 30 September 2009, from 1 October 2009 the Group contributed 28.2% of pensionable payroll for those members who opted for the salary sacrifice arrangement introduced on 1 November 2007. For all other members the Group contributed 17.5% of the pensionable payroll until 30 September 2009 and from 1 October 2009 the Group contributed 20.7% of pensionable payroll. Members contributed in accordance with the Rules. All employees in the Marston's Scheme have permanent health insurance and death-in-service life assurance cover to the value of four times their salary, subject to acceptance by insurers.

The funds of the Marston's Scheme are administered by Trustees and are separate from the Group. An actuarial valuation of the Marston's Scheme was carried out as at 30 September 2008. This resulted in a long-term Group contribution rate of 28.2% of members' pensionable earnings for members who opted for the salary sacrifice and 20.7% of members' pensionable earnings for other members plus a contribution of £10 million paid during October 2009. Going forward a monthly contribution of £881,250 will be payable from 1 October 2010, increasing by 5.75% each October.

The assumptions that have the most significant effect on the funding position of the Marston's Scheme are those relating to the differences between the long-term rate of return on investments and the rates of increase in earnings and pension increases. The 30 September 2008 funding valuation for the Marston's Scheme assumed that: the long-term investment return before retirement would exceed salary increases by 2.1% per annum and price inflation by 2.6% per annum, and the long-term investment return after retirement would exceed post 6 April 1997 and pre 6 April 2006 pension increases by 1.6% per annum and price inflation by 1.6% per annum.

The market value of the Marston's Scheme assets was £273.9 million, which was sufficient to cover 72% of members' accrued benefits at 30 September 2008, after allowing for future increases in earnings at the long-term rate.

The amounts quoted above include the assets and liabilities of the Eldridge Pope Pension Scheme, the Burtonwood Scheme and the Jennings Scheme which have merged in to the Scheme.

The Group introduced a Group Personal Pension Plan (GPPP) for new entrants with effect from 29 September 1997 to which it contributes 7.0% of pensionable salary and members contribute a minimum of 3.5% of their pensionable salary.

Membership of the GPPP provides permanent health insurance and death-in-service life assurance cover to the value of between three and four times pensionable salary, subject to acceptance by insurers.

Robin Hodgson

Lord Hodgson
Chairman, Remuneration Committee
3 December 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ANNUAL REPORT, THE DIRECTORS' REMUNERATION REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the parent Company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In preparing the Group financial statements, the Directors have also elected to comply with IFRS, issued by the International Accounting Standards Board (IASB). The Group and parent Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and Group for that period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the Group financial statements comply with IFRSs as adopted by the European Union and IFRS issued by the IASB and, with regard to the parent Company financial statements, that applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and parent Company financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the Group financial statements comply with the Companies Acts 1985 and 2006 and Article 4 of the IAS Regulation and the parent Company financial statements and the Directors' Remuneration Report comply with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the persons who are Directors at the date that this Annual Report is approved confirms that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors of Marston's PLC are listed on page 27.

Ralph Findlay
Chief Executive

Andrew Andrea
Finance Director

DIRECTION PERFORMANCE GOVERNANCE FINANCIAL STATEMENTS GROUP ACCOUNTS

FIVE YEAR RECORD

	2005 (52 weeks) £m	2006 (52 weeks) £m	2007 (52 weeks) £m	2008 (53 weeks) £m	**2009 (52 weeks) £m**
Revenue	556.1	595.5	652.8	666.1	**645.1**
Profit before exceptional items	89.7	101.5	98.0	85.1	**70.3**
Exceptional items	(35.5)	—	(3.3)	(8.9)	**(48.9)**
Profit before taxation	54.2	101.5	94.7	76.2	**21.4**
Taxation*	(15.1)	(28.2)	(12.4)	(14.4)	**(5.0)**
Profit after taxation	39.1	73.3	82.3	61.8	**16.4**
Capital employed	640.2	653.2	748.5	706.9	**783.2**
Earnings per ordinary share†	9.3p	17.1p	20.0p	16.3p	**3.9p**
Exceptional items†	5.6p	—	(1.2)p	2.0p	**9.5p**
Earnings per ordinary share before exceptional items†	14.9p	17.1p	18.8p	18.3p	**13.4p**
Dividend per ordinary share†	7.0p	7.7p	9.2p	9.5p	**7.1p**
Retail price index	100.0	103.6	107.7	113.1	**111.5**
Earnings per share performance	100.0	183.9	215.1	175.3	**41.9**
Earnings per share performance before exceptional items	100.0	114.8	126.2	122.8	**89.9**
Dividend performance	100.0	110.0	131.4	135.7	**101.4**

* Taxation includes an exceptional charge of £1.4 million in 2008 relating to the phasing out of industrial buildings allowances and an exceptional credit of £7.2 million in 2007 relating to the change in tax rate and abolition of balancing charges.

† Adjusted to reflect the 4-for-1 share split on 9 January 2007 and the impact of the issue of new shares under a rights issue on 22 July 2009.

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements of Marston's PLC for the period ended 3 October 2009 which comprise the Group income statement, the Group balance sheet, the Group Cash Flow Statement, the Group statement of recognised income and expense and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 to 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 3 October 2009 and of its profit and cash flows for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent Company.

Under the Listing Rules we are required to review:

- the Directors' statement, in relation to going concern; and
- the part of the Corporate Governance Report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

We have reported separately on the parent Company financial statements of Marston's PLC for the period ended 3 October 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Roy Tandy
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
3 December 2009

GROUP INCOME STATEMENT

For the 52 weeks ended 3 October 2009

	Note	**2009 (52 weeks) Before exceptional items £m**	**2009 (52 weeks) Exceptional items £m**	**2009 (52 weeks) Total £m**	2008 (53 weeks) Before exceptional items £m	2008 (53 weeks) Exceptional items £m	2008 (53 weeks) Total £m
Revenue	2	**645.1**	**—**	**645.1**	666.1	—	666.1
Operating expenses	3, 4	**(497.7)**	**(37.0)**	**(534.7)**	(504.5)	(4.7)	(509.2)
Operating profit	2	**147.4**	**(37.0)**	**110.4**	161.6	(4.7)	156.9
Finance costs	6	**(78.0)**	**—**	**(78.0)**	(80.6)	—	(80.6)
Finance income	6	**0.9**	**—**	**0.9**	4.1	—	4.1
Movement in fair value of interest rate swaps	4, 6	**—**	**(11.9)**	**(11.9)**	—	(4.2)	(4.2)
Net finance costs	6	**(77.1)**	**(11.9)**	**(89.0)**	(76.5)	(4.2)	(80.7)
Profit before taxation		**70.3**	**(48.9)**	**21.4**	85.1	(8.9)	76.2
Taxation	4, 7	**(14.7)**	**9.7**	**(5.0)**	(15.6)	1.2	(14.4)
Profit for the period attributable to equity shareholders	28	**55.6**	**(39.2)**	**16.4**	69.5	(7.7)	61.8

All results relate to continuing operations.

Earnings per share:

	Note	**2009**	2008 As restated
Basic earnings per share	9	**3.9p**	16.3p
Basic earnings per share before exceptional items	9	**13.4p**	18.3p
Diluted earnings per share	9	**3.9p**	16.2p
Diluted earnings per share before exceptional items	9	**13.3p**	18.2p

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the 52 weeks ended 3 October 2009

	Note	**2009 (52 weeks) £m**	2008 (53 weeks) £m
Profit for the period		**16.4**	61.8
(Expense)/income recognised directly in equity			
Cash flow hedges	28	**(39.3)**	(38.3)
Actuarial losses on retirement benefits	28	**(7.6)**	(16.8)
Unrealised surplus on revaluation of properties	28	**3.0**	—
Reversal of past revaluation surplus	28	**(43.9)**	(4.3)
Tax on items taken directly to equity	7, 28	**18.4**	20.8
Net losses not recognised in the income statement		**(69.4)**	(38.6)
Total recognised (expense)/income for the period		**(53.0)**	23.2

GROUP CASH FLOW STATEMENT

For the 52 weeks ended 3 October 2009

	Note	2009 £m	2008 £m
Operating activities			
Operating profit before exceptional items		**147.4**	161.6
Exceptional operating items	4	**(37.0)**	(4.7)
Depreciation and amortisation		**44.4**	43.0
EBITDA		**154.8**	199.9
Working capital and non-cash movements (including outflows on integration of acquisitions)	29	**15.7**	(0.2)
Difference between defined benefit pension contributions paid and amounts charged		**(11.2)**	(16.4)
Income tax paid		**(12.0)**	(10.9)
Net cash inflow from operating activities		**147.3**	172.4
Investing activities			
Interest received		**1.4**	2.3
Sale of property, plant and equipment and assets held for sale		**26.0**	21.5
Purchase of property, plant and equipment and intangible assets		**(56.1)**	(117.2)
Movement in other non-current assets		**2.8**	0.1
Acquisition of subsidiaries, net of cash acquired	32	**(5.3)**	(9.0)
Net cash outflow from investing activities		**(31.2)**	(102.3)
Financing activities			
Equity dividends paid	8	**(35.9)**	(35.8)
Proceeds of ordinary share capital issued		**—**	0.4
Purchase of own shares for cancellation		**—**	(29.2)
Net proceeds of rights issue	28	**165.6**	—
Interest paid		**(73.7)**	(78.6)
Arrangement costs of new bank facilities and issue costs paid on securitised debt		**(5.0)**	(7.9)
Proceeds from issue of securitised debt		**—**	330.0
Repayment of securitised debt		**(18.2)**	(15.9)
Repayment of bank loans		**(109.0)**	(212.3)
Repayment of loan notes		**(3.0)**	(1.5)
Capital element of finance leases repaid		**(0.1)**	(0.1)
Net cash outflow from financing activities		**(79.3)**	(50.9)
Net increase in cash and cash equivalents	30	**36.8**	19.2
Reconciliation of net cash flow to movement in net debt			
Increase in cash and cash equivalents in the period	30	**36.8**	19.2
Cash outflow/(inflow) from movement in debt		**130.3**	(100.2)
Change in debt resulting from cash flows	30	**167.1**	(81.0)
Net debt acquired with subsidiaries	30	**(0.3)**	(3.1)
Non-cash movements and deferred issue costs	30	**2.0**	5.1
Movement in net debt in the period		**168.8**	(79.0)
Net debt at beginning of the period	30	**(1,268.1)**	(1,189.1)
Net debt at end of the period	30	**(1,099.3)**	(1,268.1)

GROUP BALANCE SHEET

As at 3 October 2009

	Note	**3 October 2009 £m**	4 October 2008 £m
ASSETS			
Non-current assets			
Goodwill	10	**224.2**	223.9
Other intangible assets	11	**23.9**	23.7
Property, plant and equipment	12	**1,894.4**	1,975.9
Deferred tax assets	22	**59.4**	47.7
Other non-current assets	13	**21.9**	24.7
Derivative financial instruments	18	**0.1**	—
		2,223.9	2,295.9
Current assets			
Inventories	14	**17.3**	19.0
Assets held for sale	15	**19.5**	15.9
Trade and other receivables	16	**79.3**	75.0
Cash and cash equivalents	30	**91.3**	60.1
		207.4	170.0
LIABILITIES			
Current liabilities			
Borrowings	17	**(21.4)**	(29.2)
Derivative financial instruments	18	**(16.1)**	(4.2)
Trade and other payables	21	**(109.6)**	(133.5)
Current tax liabilities		**(24.0)**	(21.5)
		(171.1)	(188.4)
Non-current liabilities			
Borrowings	17	**(1,173.5)**	(1,299.0)
Derivative financial instruments	18	**(77.0)**	(37.6)
Pension commitments	25	**(35.3)**	(37.9)
Deferred tax liabilities	22	**(173.3)**	(189.5)
Other non-current liabilities	23	**(0.7)**	(0.6)
Provisions for other liabilities and charges	24	**(17.2)**	(6.0)
		(1,477.0)	(1,570.6)
Net assets		**783.2**	706.9
Shareholders' equity			
Equity share capital	27	**44.3**	22.3
Share premium account	28	**332.5**	188.9
Merger reserve	28	**41.5**	41.5
Revaluation reserve	28	**396.0**	436.1
Capital redemption reserve	28	**6.8**	6.8
Hedging reserve	28	**(55.4)**	(27.1)
Own shares	28	**(130.9)**	(134.5)
Foreign exchange reserve	28	**0.2**	0.2
Retained earnings	28	**148.2**	172.7
Total equity		**783.2**	706.9

The financial statements on pages 49 to 94 were approved by the Board on 3 December 2009 and signed on its behalf by:

Ralph Findlay
Chief Executive
3 December 2009

NOTES

For the 52 weeks ended 3 October 2009

1 ACCOUNTING POLICIES

Basis of preparation

These financial statements for the 52 weeks ended 3 October 2009 (2008: 53 weeks ended 4 October 2008) have been prepared in accordance with IFRS and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally land and buildings, derivative financial instruments and share-based payments.

New standards and interpretations not applied

The International Accounting Standards Board (IASB) and IFRIC have issued the following new or revised standards and interpretations with an effective date for financial periods beginning on or after the dates disclosed below and therefore after the date of these financial statements:

IFRS 1	First-time Adoption of International Financial Reporting Standards	
	Amendment relating to cost of an investment on first-time adoption	1 January 2009
	Amendments relating to oil and gas assets and determining whether an arrangement contains a lease	1 January 2010
IFRS 2	Share-based Payment	
	Amendment relating to vesting conditions and cancellations	1 January 2009
	Amendments relating to group cash-settled share-based payment transactions	1 January 2010
IFRS 3	Business Combinations	
	Comprehensive revision on applying the acquisition method	1 July 2009
IFRS 7	Financial Instruments: Disclosures	
	Amendments enhancing disclosures about fair value and liquidity risk	1 January 2009
IFRS 8	Operating Segments	
	New accounting standard	1 January 2009
IFRS 9	Financial Instruments	
	New accounting standard	1 January 2013
IAS 1	Presentation of Financial Statements	
	Comprehensive revision including requiring a statement of comprehensive income	1 January 2009
	Amendments relating to disclosure of puttable instruments and obligations arising on liquidation	1 January 2009
IAS 23	Borrowing Costs	
	Comprehensive revision to prohibit immediate expensing	1 January 2009
IAS 27	Consolidated and Separate Financial Statements	
	Consequential amendments arising from amendments to IFRS 3	1 July 2009
	Amendment relating to cost of an investment on first-time adoption	1 January 2009
IAS 28	Investments in Associates	
	Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 31	Interests in Joint Ventures	
	Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 32	Financial Instruments: Presentation	
	Amendments relating to puttable instruments and obligations arising on liquidation	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement	
	Amendments for eligible hedged items	1 July 2009
	Amendments for embedded derivatives when reclassifying financial instruments	30 June 2009
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 17	Distribution of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfers of Assets from Customers	1 July 2009

The IASB have also issued a number of minor amendments to standards as part of their Annual Improvements to IFRS.

The Group continues to evaluate standards and interpretations and the impact on the financial statements.

1 ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the audited financial statements of Marston's PLC and all of its subsidiary undertakings. The results of new subsidiary undertakings are included in the Group accounts from the date on which control transferred to the Group or, in the case of disposals, up to the effective date of disposal. Transactions between Group companies are eliminated on consolidation.

The Group has applied the purchase method in its accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the consideration paid and deferred, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised immediately in the income statement.

The consolidated financial statements also incorporate the results of Marston's Issuer PLC, a company set up with the sole purpose of issuing debt secured on assets owned by the Group. The Directors of Marston's PLC consider this company meets the definition of a special purpose entity under SIC 12 'Consolidation — special purpose entities' and hence for the purpose of the consolidated financial statements it has been treated as a subsidiary undertaking. Details of this company are provided in note 33.

Revenue and other operating income

Revenue represents the value of goods (drink and food) and services (accommodation and gaming machines) supplied to customers, and rents receivable from licensed properties. Revenue for drink, food and accommodation is recognised at the point at which the goods or services are provided. Gaming machine income is recognised as earned. Rental income is recognised in respect of the period to which it relates. Revenue is recorded net of discounts, intra-Group transactions, VAT, and excise duty relating to the brewing and packaging of certain products. Other operating income comprises mainly rents receivable from unlicensed properties, which is recognised in respect of the period to which it relates.

Segmental reporting

For primary segment reporting purposes the Group is considered to have four distinguishable business segments, being Marston's Inns and Taverns, Marston's Pub Company, Marston's Beer Company and Marston's Group Services. This mirrors the Group's internal organisation and management structure, and reflects the different risk profiles to which the business is exposed. An element of Marston's Group Services costs is allocated to each of the trading divisions.

Acquired businesses are treated as separate reporting segments, where material, until they have been fully integrated with the Group's trading divisions.

Exceptional items

Exceptional items are defined as those items that, by virtue of their nature, size or expected frequency, warrant separate disclosure in the financial statements in order to fully understand the underlying performance of the Group.

Intangible assets

Intangible assets are carried at cost less accumulated amortisation and any impairment losses. Intangible assets arising on acquisition of subsidiaries are recognised separately from goodwill if the fair value of these assets can be identified separately and measured reliably.

Amortisation is calculated on a straight-line basis over the estimated useful life of the intangible asset. Where the useful life of the asset is considered to be indefinite no annual amortisation is provided but the asset is subject to annual impairment reviews. Impairment reviews are carried out more frequently if events or changes in circumstances indicate that the carrying value of an asset may be impaired.

1 ACCOUNTING POLICIES (CONTINUED)

The useful lives of the Group's intangible assets are:

Acquired brands	Indefinite
Lease premiums	Life of the lease
Computer software	5 to 10 years

Any impairment of carrying value is charged to the income statement.

Goodwill

Goodwill arising on acquisitions is capitalised and represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets or liabilities acquired. Goodwill is not amortised but is instead reviewed for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the income statement.

For the purposes of impairment testing goodwill is allocated at business segment level.

Property, plant and equipment

- Freehold and leasehold properties are initially stated at cost and subsequently at valuation. Plant and machinery is stated at cost. Fixtures, fittings, tools and equipment are stated at valuation or at cost.
- Depreciation is charged to the income statement on a straight-line basis to provide for the cost of the assets less residual value over their useful lives.
- Freehold and long leasehold buildings are depreciated to residual value over 50 years.
- Short leasehold properties are depreciated over the life of the lease.
- Other plant and equipment is depreciated over periods ranging from 3 to 15 years.
- Own labour and interest costs directly attributable to capital projects are capitalised.
- Land is not depreciated.

Valuation of properties — Properties are revalued by qualified valuers on a regular basis using open market value so that the carrying value of an asset does not differ significantly from its fair value at the balance sheet date. When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the income statement. Surpluses on revaluation are recognised in the revaluation reserve, except where they reverse previously charged impairment losses, in which case they are recorded in the income statement.

Residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date.

Disposals of property, plant and equipment

Profit/loss on disposal of property, plant and equipment represents net sale proceeds less the carrying value of the assets. Any element of the revaluation reserve relating to the property disposed of is transferred to retained earnings at the date of sale.

Impairment

If there are indications of impairment or reversal of impairment, an assessment is made of the recoverable amount. An impairment loss is recognised where the recoverable amount is lower than the carrying value of assets, including goodwill. The recoverable amount is the higher of value in use and fair market value less costs to sell. If there is an indication that any previously recognised impairment losses may no longer exist or may have decreased, a reversal of the loss may be made if there has been a change in the estimates used to determine the recoverable amounts since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount only up to the carrying amount that would have resulted, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. The reversal is recognised in the income statement. The depreciation or amortisation charge is adjusted in future periods to allocate the asset's revised carrying value, less any residual value, on a systematic basis over its remaining useful life. There is no reversal of impairment losses relating to goodwill.

Acquired brands are reviewed for impairment on a portfolio basis.

1 ACCOUNTING POLICIES (CONTINUED)

Leases

Leases are classified as finance leases if the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The cost of the assets held under finance leases is included within property, plant and equipment and depreciation is charged in accordance with the accounting policy for each class of asset concerned. The corresponding capital obligations under these leases are shown as liabilities. The finance charge element of rentals is charged to the income statement and classified within finance costs as incurred.

Rental costs under operating leases, including lease incentives, are charged to the income statement on a straight-line basis over the term of the lease. Similarly, income receivable under operating leases is credited to the income statement on a straight-line basis over the term of the lease.

Other non-current assets

Other non-current assets represent trade loans. In common with other major brewers the Group makes trade loans to publicans who purchase the Group's beer. These trade loans are classified as loans and receivables and are recognised initially at fair value and subsequently at amortised cost less provision for impairment. Significant trade loans are secured against the property of the loan recipient.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials are valued on a 'first in, first out' basis, with the exception of hops which are valued at average cost. Finished goods and work in progress include direct materials, labour and a proportion of attributable overheads.

Assets held for sale

Assets, typically properties, are categorised as held for sale when the value of the asset will be recovered through a sale transaction rather than continuing use. This condition is met when the sale is highly probable, the asset is available for immediate sale in its present condition and is being actively marketed. In addition, the Group must be committed to the sale and the completion should be expected to occur within one year from the date of classification. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell, and are no longer depreciated.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits on call with banks. Bank overdrafts are shown within borrowings in current liabilities. For the purpose of the cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Financial instruments

The Group classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of the Group's financial instruments at initial recognition.

(a) Financial instruments at fair value through profit or loss

Derivatives are categorised as financial instruments at fair value through profit or loss unless they are designated as hedges. The Group holds no other financial instruments at fair value through profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables, trade loans and cash and cash equivalents in the balance sheet.

1 ACCOUNTING POLICIES (CONTINUED)

(c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Non-derivative financial liabilities are classified as other financial liabilities.

Gains or losses arising from changes in the fair value of financial instruments at fair value through profit or loss are presented in the income statement within exceptional finance costs or income in the period in which they arise.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Preference shares are classified as liabilities. The dividends on these preference shares are recognised in the income statement as finance costs.

Borrowing costs are recognised as an expense in the period in which they are incurred, except for gross interest costs incurred on the financing of major projects which, under the allowed alternative treatment, are capitalised until the time that the projects are available for use.

Derivative financial instruments
The only derivative financial instruments that the Group enters into are interest rate swaps. The purpose of these transactions is to manage the interest rate risks arising from the Group's operations and its sources of finance.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within exceptional finance income or costs.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

1 ACCOUNTING POLICIES (CONTINUED)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within exceptional finance income or costs.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within other operating charges. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against other operating charges in the income statement.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Employee benefits

Pension costs for the Group's defined benefit pension scheme are determined by the Projected Unit Credit Method, with actuarial calculations being carried out at each period end date. Costs are recognised separately as operating and finance costs in the income statement. Operating costs comprise the current service cost, any income or expenses on settlements or curtailments, and past service costs where the benefits have vested. Finance items comprise the interest on scheme liabilities and the expected return on scheme assets.

Actuarial gains or losses comprising differences between the actual and expected return on scheme assets, changes in scheme liabilities due to experience and changes in actuarial assumptions are recognised in full in the period in which they occur in the statement of recognised income and expense.

The liability recognised in the balance sheet for the defined benefit pension scheme is the present value of scheme liabilities less the fair value of scheme assets. Pension costs for the Group's defined contribution pension schemes are charged to the income statement in the period in which they arise.

Post-retirement medical benefits are accounted for in an identical way to the Group's defined benefit pension scheme.

Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of the Group. In the case of Marston's PLC the only key management personnel are considered to be the Directors of the Group.

Current and deferred tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date and is measured at the amount expected to be paid to or recovered from the tax authorities.

Deferred tax is provided in full, using the liability method, on all differences that have originated but not reversed by the balance sheet date which give rise to an obligation to pay more or less tax in the future. Differences are defined as the differences between the carrying value of assets and liabilities and their tax base.

NOTES CONTINUED

For the 52 weeks ended 3 October 2009

1 ACCOUNTING POLICIES (CONTINUED)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

Deferred tax is calculated using tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as provisions. These provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Other contractual property costs are also recorded as provisions as appropriate.

Share-based payments

The fair value of share-based remuneration at the date of grant is calculated using the Black–Scholes option-pricing model and charged to the income statement on a straight-line basis over the vesting period of the award. The charge to the income statement takes account of the estimated number of shares that will vest. The Group has taken advantage of the transitional provisions contained within IFRS 2 'Share-based Payment' and has only applied this accounting policy to equity-settled awards granted after 7 November 2002. Awards granted prior to 7 November 2002 are not charged to the income statement.

Own shares

Own shares consist of treasury shares, shares held within a Long Term Incentive Plan (LTIP) and shares held within an Executive Share Option Plan (ESOP), which is used for the granting of shares to applicable employees.

Own shares are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to equity. No income or expense is recognised in the performance statements on treasury share transactions.

Dividends

Dividends proposed by the Board but unpaid at the period end are recognised in the financial statements when they have been approved by the shareholders. Interim dividends are recognised when paid.

Transactions and balance sheet items in a foreign currency

Transactions in a foreign currency are translated to sterling using the exchange rate at the date of the transaction. Monetary receivables and payables are remeasured at closing day rates at each balance sheet date. Exchange gains or losses that arise from such remeasurement and on settlement of the transaction are recognised in the income statement. Translation differences for non-monetary assets valued at fair value through profit or loss are reported as part of the fair value gain or loss. Gains or losses on disposal of non-monetary assets are recognised in the income statement.

Key assumptions and significant judgements

IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The Group's key assumptions and significant judgements are in respect of property, plant and equipment, impairment, pension liabilities, taxation, financial instruments and share-based payments. Details of these assumptions and judgements are set out in the relevant accounting policy and detailed note to the financial statements.

2 SEGMENTAL REPORTING

Primary reporting format — business segments

For primary segment reporting purposes the Group is considered to have four distinguishable business segments, being Marston's Inns and Taverns, Marston's Pub Company, Marston's Beer Company and Marston's Group Services.

52 weeks ended 3 October 2009

	Marston's Inns and Taverns £m	Marston's Pub Company £m	Marston's Beer Company £m	Marston's Group Services £m	Group £m
Income statement					
Revenue	367.8	175.8	131.6	—	675.2
Less: sales to other segments	—	—	(30.1)	—	(30.1)
	367.8	175.8	101.5	—	645.1
Operating expenses before exceptional items	(307.5)	(94.0)	(85.5)	(10.7)	(497.7)
Operating profit before exceptional items	60.3	81.8	16.0	(10.7)	147.4
Exceptional items	(34.2)	(2.8)	—	—	(37.0)
Operating profit	26.1	79.0	16.0	(10.7)	110.4
Finance costs					(78.0)
Finance income					0.9
Movement in fair value of interest rate swaps					(11.9)
Profit before taxation					21.4
Taxation					(5.0)
Profit for the period attributable to equity shareholders					**16.4**
Balance sheet					
Segment assets	939.6	1,107.3	189.6	39.7	2,276.2
Unallocated assets					
Deferred tax assets					59.4
Derivative financial instruments					0.1
Trade and other receivables					4.3
Group cash and cash equivalents					91.3
Total assets					**2,431.3**
Segment liabilities	(36.7)	(19.6)	(33.5)	(37.7)	(127.5)
Unallocated liabilities					
Group borrowings					(1,194.9)
Current tax liabilities					(24.0)
Pension commitments					(35.3)
Deferred tax liabilities					(173.3)
Derivative financial instruments					(93.1)
Total liabilities					**(1,648.1)**
Other segmental information					
Capital expenditure					
Intangible assets	—	—	—	0.9	0.9
Property, plant and equipment	28.0	19.7	5.6	2.2	55.5
Depreciation of property, plant and equipment	22.6	10.2	9.0	2.1	43.9
Amortisation of intangible assets	0.3	—	—	0.2	0.5

2 SEGMENTAL REPORTING (CONTINUED)

53 weeks ended 4 October 2008

	Marston's Inns and Taverns £m	Marston's Pub Company £m	Marston's Beer Company £m	Marston's Group Services £m	Group £m
Income statement					
Revenue	388.3	186.4	125.7	—	700.4
Less: sales to other segments	—	—	(34.3)	—	(34.3)
	388.3	186.4	91.4	—	666.1
Operating expenses before exceptional items	(321.1)	(96.4)	(75.3)	(11.7)	(504.5)
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
Finance costs					(80.6)
Finance income					4.1
Movement in fair value of interest rate swaps					(4.2)
Profit before taxation					76.2
Taxation					(14.4)
Profit for the period attributable to equity shareholders					**61.8**
Balance sheet					
Segment assets	1,017.2	1,104.2	197.2	39.5	2,358.1
Unallocated assets					
Deferred tax assets					47.7
Group cash and cash equivalents					60.1
Total assets					**2,465.9**
Segment liabilities	(42.5)	(13.7)	(56.6)	(27.3)	(140.1)
Unallocated liabilities					
Group borrowings					(1,328.2)
Current tax liabilities					(21.5)
Pension commitments					(37.9)
Deferred tax liabilities					(189.5)
Derivative financial instruments					(41.8)
Total liabilities					**(1,759.0)**
Other segmental information					
Capital expenditure					
Intangible assets	0.4	0.1	—	0.3	0.8
Property, plant and equipment	62.8	37.4	11.0	3.9	115.1
Depreciation of property, plant and equipment	23.1	9.5	8.2	1.8	42.6
Amortisation of intangible assets	0.2	—	—	0.2	0.4

Secondary reporting format — geographical segments

Revenue generated outside the United Kingdom during the period was £2.0 million (2008: £1.0 million). Geographical reporting is therefore not considered appropriate.

3 OPERATING EXPENSES

	2009 (52 weeks) £m	2008 (53 weeks) £m
Change in stocks of finished goods and work in progress	**0.7**	(1.9)
Own work capitalised	**(0.9)**	(0.9)
Other operating income	**(6.3)**	(6.9)
Raw materials, consumables and excise duties	**212.3**	213.2
Depreciation of property, plant and equipment	**43.9**	42.6
Amortisation of intangible assets	**0.5**	0.4
Employee costs	**136.5**	151.0
Hire of plant and machinery	**1.0**	1.3
Other operating lease rentals	**13.4**	10.9
Income from other non-current assets	**(0.6)**	(0.5)
Impairment of freehold and leasehold properties	**24.1**	0.6
Recognition of onerous lease and other property related provisions	**12.9**	—
Other net operating charges	**97.2**	99.4
	534.7	509.2

Exceptional costs of £nil (2008: £1.2 million) are included in other net operating charges and £nil (2008: £3.5 million) within employee costs.

Impairment of freehold and leasehold properties of £24.1 million (2008: £nil) and recognition of onerous lease and other property related provisions of £12.9 million (2008: £nil) have been recognised as exceptional items (note 4).

PricewaterhouseCoopers LLP fees:	2009 (52 weeks) £m	2008 (53 weeks) £m
Statutory audit fees — consolidated Group financial statements	**0.2**	0.2
Statutory audit fees — other entity financial statements	**0.1**	0.1
Corporate finance services	**0.6**	—
Tax advisory services	**0.1**	0.6
Other fees	**0.1**	—
	1.1	0.9

Corporate finance services costs of £0.6 million (2008: £nil) in respect of the rights issue were debited to the share premium account.

NOTES CONTINUED

For the 52 weeks ended 3 October 2009

4 EXCEPTIONAL ITEMS

	2009 (52 weeks) £m	2008 (53 weeks) £m
Operating items		
Impairment of freehold and leasehold properties	**24.1**	—
Recognition of onerous lease and other property related provisions	**12.9**	—
Reorganisation and redundancy costs	**—**	3.9
Write-off of aborted project fees in respect of potential REIT conversion	**—**	0.8
	37.0	4.7
Non-operating items		
Movement in fair value of interest rate swaps	**11.9**	4.2
	48.9	8.9

Impairment of freehold and leasehold properties

Two impairment exercises were undertaken during the period. The first review predominantly focused on tenanted pubs let on non-substantive agreements and the second review predominantly focused on leasehold town centre pubs. These categories of pubs are considered to be those most affected by the weakened UK economy.

The total impairment identified was £68.0 million, which has been taken either to the income statement as an exceptional item or, where the impairment reverses a previous upwards valuation, to the revaluation reserve.

The impact of the impairments described above is as follows:

	2009 £m
Income statement:	
Impairment of other intangible assets (note 11)	**0.2**
Impairment of property, plant and equipment (note 12)	**19.7**
Impairment of assets held for sale (note 15)	**4.2**
	24.1
Revaluation reserve:	
Reversal of past revaluation surplus — property, plant and equipment (note 12)	**43.2**
Reversal of past revaluation surplus — assets held for sale (note 15)	**0.7**
	43.9
Total impairment	**68.0**

The total impairment analysed by business segment is as follows:

	2009 £m
Marston's Inns and Taverns	**32.6**
Marston's Pub Company	**35.1**
Marston's Group Services	**0.3**
	68.0

4 EXCEPTIONAL ITEMS (CONTINUED)

In determining whether there is a trigger for impairment, the Group considers the performance of groups of pubs with similar risk profiles and characteristics. Where these are identified the impairment calculations are performed at an individual pub level.

The Group has estimated the above impairments on the basis of fair market value less costs to sell. Pubs which are being marketed for sale have been transferred to assets held for sale (note 15) as appropriate. The key assumptions in determining the level of impairment are the estimated market value (based on specialist advice) and the time frame within which those pubs can be sold.

A 1% increase/decrease in the market value assumption used would decrease/increase the impairment by £1.3 million. This increase/decrease would impact both the income statement and the revaluation reserve. The further impact of discounting sale proceeds if there were a delay in the expected time frame by 6 to 12 months is insignificant.

Recognition of onerous lease and other property related provisions

As part of the overall review of properties, a full assessment of property provisions was undertaken to reflect the most recent circumstances and expectations.

A number of onerous lease and other property related provisions were identified during the review and these have been recognised in provisions for other liabilities and charges (note 24). These are considered to be linked to the exceptional events which have impacted the estate as noted above.

Movement in fair value of interest rate swaps

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 £11.9 million (2008: £4.2 million) in the fair value of swaps, where hedge accounting has not been applied, is shown as an exceptional item.

Impact of taxation

The current tax credit relating to the above exceptional items amounts to £0.2 million (2008: £1.4 million). The deferred tax credit relating to the above exceptional items amounts to £9.5 million (2008: £1.2 million). In the prior period £1.4 million was charged as an exceptional item in relation to the phasing out of industrial buildings allowances.

Prior period exceptional items

A reorganisation and redundancy programme was undertaken during the prior period.

Following the Pre-Budget Report on 24 November 2008, it was 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.

For the 52 weeks ended 3 October 2009

5 EMPLOYEES

Employee costs	2009 (52 weeks) £m	2008 (53 weeks) £m
Wages and salaries	**123.7**	136.4
Social security costs	**9.4**	10.0
Pension costs	**3.8**	4.5
Share-based payment costs	**(0.4)**	0.1
	136.5	151.0

Staff costs include £nil (2008: £3.5 million) which were classified as exceptional items.

Key management personnel

Directors' emoluments are set out in the Directors' Remuneration Report on pages 37 to 45. The total cost to the Group of the Directors' remuneration for the period was £1.7 million (2008: £2.3 million), including employers' national insurance and share-based payments.

Average monthly number of employees	2009 No.	2008 No.
Full-time	**5,780**	6,052
Part-time	**6,209**	7,112

6 FINANCE COSTS AND INCOME

Finance costs	2009 (52 weeks) £m	2008 (53 weeks) £m
Bank interest payable	**12.5**	17.1
Securitised debt interest payable	**60.1**	59.2
Other interest payable	**1.3**	1.5
Amortisation of issue costs on securitised debt	**2.5**	2.5
Amortisation of issue costs on bank loan	**0.5**	0.3
Net finance cost in respect of retirement benefits	**1.1**	—
	78.0	80.6
Exceptional finance costs		
Movement in fair value of interest rate swaps	**11.9**	4.2
Total finance costs	**89.9**	84.8
Finance income		
Deposit and other interest receivable	**(0.9)**	(2.9)
Net finance income in respect of retirement benefits	**—**	(1.2)
Total finance income	**(0.9)**	(4.1)
Net finance costs	**89.0**	80.7

The movement in fair value of derivative financial instruments relates to the mark to market value of interest rate swaps. Over the lives of the instruments the Group's cumulative fair value gain/loss on these financial derivatives will be £nil as it is the Group's intention to hold them to maturity. These financial instruments are categorised as fair value through profit or loss (note 20).

7 TAXATION

Income statement	2009 (52 weeks) £m	2008 (53 weeks) £m
Current tax		
Current period	**20.5**	20.1
Credit in respect of tax on exceptional items	**(0.2)**	(1.4)
Adjustment in respect of prior periods	**(3.7)**	(3.0)
	16.6	15.7
Deferred tax		
Current period	**(3.6)**	(2.4)
Adjustment in respect of prior periods	**1.5**	0.9
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	**(3.3)**	(1.2)
Exceptional credit in relation to impairments and onerous lease provisions	**(6.2)**	—
	(11.6)	(1.3)
Taxation charge reported in the income statement	**5.0**	14.4

Statement of recognised income and expense	2009 (52 weeks) £m	2008 (53 weeks) £m
Losses on actuarial valuation of pension liability	**(2.1)**	(4.7)
Impairment and revaluation of properties	**(5.3)**	(5.4)
Losses on cash flow hedges	**(11.0)**	(10.7)
Taxation credit reported in the statement of recognised income and expense	**(18.4)**	(20.8)

The actual tax rate for the period is lower (2008: lower) than the standard rate of corporation tax of 28% (2008: 29%). The differences are explained below:

Tax reconciliation	2009 (52 weeks) £m	2008 (53 weeks) £m
Profit before tax	**21.4**	76.2
Profit before tax multiplied by the corporation tax rate of 28% (2008: 29%)	**6.0**	22.1
Effects of:		
Adjustments to tax in respect of prior periods	**(2.2)**	(2.4)
Net deferred tax credit in respect of land and buildings	**(2.4)**	(7.2)
Costs not deductible for tax purposes	**3.6**	0.5
Impact of phasing out of industrial buildings allowances	**—**	1.4
Current period taxation charge	**5.0**	14.4

The standard rate of corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the Group's profits for the prior accounting period were taxed at an effective rate of 29%.

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For the 52 weeks ended 3 October 2009

8 ORDINARY DIVIDENDS ON EQUITY SHARES

	2009 £m	2008 £m
Paid in the period		
Final dividend for 2008 of 6.08p* per share (2007: 6.08p*)	**22.9**	22.8
Interim dividend for 2009 of 3.44p* per share (2008: 3.44p*)	**13.0**	13.0
	35.9	35.8

A final dividend for 2009 of 3.70p per share amounting to £21.1 million 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 2 February 2010 to those shareholders on the register at close of business on 18 December 2009.

* The 2009 interim and prior period dividends per share have been adjusted retrospectively for the impact of the rights issue completed in July 2009.

9 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 in the Executive Share Option Plan and the Long Term Incentive Plan.

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

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

		2009			2008 As restated	
	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	**16.4**	**415.8**	**3.9**	61.8	378.9	16.3
Effect of dilutive options	**—**	**1.9**	**—**	—	3.5	—
Diluted earnings per share	**16.4**	**417.7**	**3.9**	61.8	382.4	16.2
Underlying earnings per share figures						
Basic earnings per share	**16.4**	**415.8**	**3.9**	61.8	378.9	16.3
Effect of exceptional items	**39.2**		**9.5**	7.7		2.0
Basic earnings per share before exceptional items	**55.6**	**415.8**	**13.4**	69.5	378.9	18.3
Diluted earnings per share	**16.4**	**417.7**	**3.9**	61.8	382.4	16.2
Effect of exceptional items	**39.2**		**9.4**	7.7		2.0
Diluted earnings per share before exceptional items	**55.6**	**417.7**	**13.3**	69.5	382.4	18.2

The weighted average number of ordinary shares in issue in the prior period has been adjusted retrospectively for the bonus element of the rights issue completed in July 2009.

10 GOODWILL

	£m
Cost	
At 5 October 2008	225.0
Additions	0.3
At 3 October 2009	**225.3**
Aggregate impairment	
At 5 October 2008	1.1
Impairment for the period	—
At 3 October 2009	**1.1**
Net book amount at 4 October 2008	223.9
Net book amount at 3 October 2009	**224.2**

Additions relate to goodwill arising on the acquisition of Refresh (note 32).

	£m
Cost	
At 30 September 2007	218.9
Additions	6.1
At 4 October 2008	**225.0**
Aggregate impairment	
At 30 September 2007	1.1
Impairment for the period	—
At 4 October 2008	**1.1**
Net book amount at 29 September 2007	217.8
Net book amount at 4 October 2008	**223.9**

Impairment testing of goodwill

Goodwill has been allocated across the primary business segments, and the recoverable amounts of the values allocated to those segments have been estimated and compared to the carrying amounts. Recoverable amounts are determined based on the higher of value in use and fair value less costs to sell.

The carrying amount of goodwill has been allocated £115.2 million (2008: £115.2 million) to Marston's Inns and Taverns, £85.4 million (2008: £85.4 million) to Marston's Pub Company and £23.6 million (2008: £23.3 million) to Marston's Beer Company. Goodwill has been allocated to business segments based on the extent to which the benefits of acquisitions flow to that segment.

The key assumptions used are the pre-tax discount rate applied to the cash flow projections of 9.0% (2008: 9.0%) and the growth rate used to extrapolate the projected cash flows beyond the one year budgets of 2.0% (2008: 2.0%) in line with an expected long-term growth rate, which is below the long-term average growth rate for the industry. Risk factors are considered to be similar in each of the Group's trading divisions.

Other commercial assumptions relate to market growth, market share and net selling prices. These assumptions are based on historic trends adjusted for management estimates of future prospects. These estimates take account of economic forecasts, marketing plans, political factors and assessments of competitors' strategy.

The above impairment tests demonstrated that the Group had substantial levels of headroom and as such no impairment of goodwill was required in the current or prior period.

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11 OTHER INTANGIBLE ASSETS

	Acquired brands £m	Lease premiums £m	Computer software £m	Total £m
Cost				
At 5 October 2008	19.3	2.0	4.0	25.3
Additions	—	—	0.9	0.9
At 3 October 2009	**19.3**	**2.0**	**4.9**	**26.2**
Amortisation				
At 5 October 2008	—	0.2	1.4	1.6
Charge for the period	—	0.1	0.4	0.5
Impairment	—	0.1	0.1	0.2
At 3 October 2009	**—**	**0.4**	**1.9**	**2.3**
Net book amount at 4 October 2008	19.3	1.8	2.6	23.7
Net book amount at 3 October 2009	**19.3**	**1.6**	**3.0**	**23.9**

Acquired brands are initially recognised at their fair value on acquisition. Given the anticipated level of investment in acquired brands, and there being no legal or regulatory limits to their useful lives, they are regarded as having indefinite useful lives and no annual amortisation is provided.

Lease premiums classified as intangible assets are those acquired with new subsidiaries. Details of the impairment reviews undertaken during the period are set out in note 4.

	Acquired brands £m	Lease premiums £m	Computer software £m	Total £m
Cost				
At 30 September 2007	5.7	2.0	3.2	10.9
Additions	—	—	0.8	0.8
Acquisitions	13.6	—	—	13.6
At 4 October 2008	**19.3**	**2.0**	**4.0**	**25.3**
Amortisation				
At 30 September 2007	—	0.1	1.1	1.2
Charge for the period	—	0.1	0.3	0.4
At 4 October 2008	**—**	**0.2**	**1.4**	**1.6**
Net book amount at 29 September 2007	5.7	1.9	2.1	9.7
Net book amount at 4 October 2008	**19.3**	**1.8**	**2.6**	**23.7**

Impairment testing of acquired brands

Acquired brands substantially relate to Marston's Beer Company.

The carrying values of acquired brands are subject to annual impairment reviews. The recoverable amount of each brand is calculated based on anticipated future income generated by that brand. The key assumptions used in the impairment testing of brands are a pre-tax discount rate of 9.0% (2008: 9.0%) and a long-term growth rate used to extrapolate cash flows beyond the cash flow projection period of one year of 2.0% (2008: 2.0%). These assumptions are based on historic trends adjusted for management estimates of future prospects, and take account of economic forecasts, marketing plans, political factors and assessments of competitors' strategy.

The above impairment tests demonstrated that the Group had sufficient levels of headroom and as such no impairment of acquired brands was required in the current or prior period.

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 5 October 2008	1,769.6	35.0	345.8	2,150.4
Additions	28.1	2.1	25.3	55.5
Net transfers to assets held for sale and disposals	(23.2)	—	(15.9)	(39.1)
Impairment/revaluation	(58.8)	—	(11.1)	(69.9)
At 3 October 2009	**1,715.7**	**37.1**	**344.1**	**2,096.9**
Depreciation				
At 5 October 2008	13.0	13.0	148.5	174.5
Charge for the period	3.3	3.8	36.8	43.9
Net transfers to assets held for sale and disposals	(0.2)	—	(5.4)	(5.6)
Impairment/revaluation	(3.7)	—	(6.6)	(10.3)
At 3 October 2009	**12.4**	**16.8**	**173.3**	**202.5**
Net book amount at 4 October 2008	1,756.6	22.0	197.3	1,975.9
Net book amount at 3 October 2009	**1,703.3**	**20.3**	**170.8**	**1,894.4**

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation				
At 30 September 2007	1,726.2	29.1	330.9	2,086.2
Additions	67.6	6.0	41.5	115.1
Acquisitions	—	1.5	—	1.5
Net transfers to assets held for sale and disposals	(19.3)	(1.6)	(26.6)	(47.5)
Impairment	(4.9)	—	—	(4.9)
At 4 October 2008	**1,769.6**	**35.0**	**345.8**	**2,150.4**
Depreciation				
At 30 September 2007	9.3	10.9	131.7	151.9
Charge for the period	3.5	3.7	35.4	42.6
Net transfers to assets held for sale and disposals	0.2	(1.6)	(18.6)	(20.0)
At 4 October 2008	**13.0**	**13.0**	**148.5**	**174.5**
Net book amount at 29 September 2007	1,716.9	18.2	199.2	1,934.3
Net book amount at 4 October 2008	**1,756.6**	**22.0**	**197.3**	**1,975.9**

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The net book amount of land and buildings is split as follows:

	2009 £m	2008 £m
Freehold properties	**1,599.1**	1,639.5
Leasehold properties over 50 years unexpired	**76.5**	76.7
Leasehold properties under 50 years unexpired	**27.7**	40.4
	1,703.3	1,756.6

Cost or valuation of land and buildings comprises:

	2009 £m	2008 £m
Valuation	**1,610.0**	1,675.4
At cost	**105.7**	94.2
	1,715.7	1,769.6

If the freehold and leasehold properties had not been revalued, the historical net book amount would be £1,243.2 million (2008: £1,233.8 million).

Cost at 3 October 2009 includes £4.4 million (2008: £6.6 million) of assets in the course of construction.

Interest costs of £0.3 million (2008: £0.4 million) were capitalised in respect of the financing of major projects, using the Group's bank borrowings interest rate.

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £7.4 million (2008: £9.1 million).

Impairment

Two impairment exercises were undertaken during the period. The first review predominantly focused on tenanted pubs let on non-substantive agreements and the second review predominantly focused on leasehold town centre pubs. The impact of these impairments is described in note 4 to the financial statements. In the prior period various properties were reviewed for impairment, identifying a total impairment of £4.9 million, of which £0.6 million was recognised in the income statement and £4.3 million was recognised in the revaluation reserve as a reversal of past revaluation surplus.

Revaluation

During the period a number of properties were revalued prior to their transfer to Marston's Pubs Limited (note 19). These revaluations generated an unrealised revaluation surplus of £3.0 million (2008: £nil) and reversal of past impairments of £0.3 million (2008: £nil), a total increase in shareholders' equity/property, plant and equipment of £3.3 million (2008: £nil).

13 OTHER NON-CURRENT ASSETS

Trade loans	2009 £m	2008 £m
At beginning of the period	**24.7**	24.8
Additions	**2.2**	6.6
Disposals, repayments and impairments	**(5.0)**	(6.7)
At end of the period	**21.9**	24.7

Other non-current assets are presented net of impairments of £1.7 million (2008: £1.6 million).

14 INVENTORIES

	2009 £m	2008 £m
Raw materials and consumables	**3.7**	4.7
Work in progress	**0.7**	0.5
Finished goods	**12.9**	13.8
	17.3	19.0

15 ASSETS HELD FOR SALE

	2009 £m	2008 £m
Properties	**19.5**	15.9

A number of assets held for sale were impaired during the period. The impact of these impairments is described in note 4 to the financial statements.

16 TRADE AND OTHER RECEIVABLES

	2009 £m	2008 £m
Trade receivables	**40.5**	39.0
Prepayments and accrued income	**18.9**	15.9
Other receivables	**19.9**	20.1
	79.3	75.0

Trade receivables are shown net of a provision of £8.1 million (2008: £5.5 million).

The ageing analysis of trade receivables is as follows:

	2009 £m	2008 £m
Neither past due nor impaired	**26.7**	28.0
Less than 30 days	**5.0**	2.9
31 to 60 days	**2.3**	2.7
Greater than 60 days	**6.5**	5.4
	40.5	39.0

All of the Group's trade receivables are denominated in pounds sterling.

Included within trade receivables are balances which are past due at the balance sheet date but have not been provided for, as these are considered to be recoverable. These balances relate to established customers for whom there is no recent history of default. Trade receivables that are less than three months past due are not generally considered impaired unless there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

At 3 October 2009, the value of collateral held in the form of cash deposits was £9.1 million (2008: £9.9 million).

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For the 52 weeks ended 3 October 2009

17 BORROWINGS

Current	2009 £m	2008 £m
Unsecured bank borrowings	**(0.7)**	5.4
Securitised debt (note 19)	**16.7**	15.6
Unsecured loan notes	**5.4**	8.1
Finance leases	**—**	0.1
	21.4	29.2

Non-current	2009 £m	2008 £m
Unsecured bank borrowings	**125.0**	233.7
Securitised debt (note 19)	**1,048.4**	1,065.2
Preference shares	**0.1**	0.1
	1,173.5	1,299.0

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

All of the Group's borrowings are denominated in pounds sterling. There were no instances of default, including covenant terms, in either the current or prior period.

Maturity of borrowings

The maturity profile of the carrying amount of the Group's borrowings at the period end was as follows:

	2009			2008		
Due:	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m	Gross borrowings £m	Unamortised issue costs £m	Net borrowings £m
Within one year	**24.6**	**(3.2)**	**21.4**	32.1	(2.9)	29.2
In more than one year but less than two years	**20.4**	**(2.5)**	**17.9**	253.2	(2.7)	250.5
In more than two years but less than five years	**193.1**	**(3.9)**	**189.2**	71.2	(5.6)	65.6
In more than five years	**971.8**	**(5.4)**	**966.4**	988.9	(6.0)	982.9
	1,209.9	**(15.0)**	**1,194.9**	1,345.4	(17.2)	1,328.2

Fair value of borrowings

The carrying amounts and fair value of the Group's borrowings are as follows:

	Carrying amount		Fair value	
	2009 £m	2008 £m	2009 £m	2008 £m
Unsecured bank borrowings	**125.0**	239.5	**125.0**	241.7
Securitised debt	**1,079.4**	1,097.6	**821.3**	844.5
Unsecured loan notes	**5.4**	8.1	**5.4**	8.1
Finance leases	**—**	0.1	**—**	0.1
Preference shares	**0.1**	0.1	**0.1**	0.1
	1,209.9	1,345.4	**951.8**	1,094.5

17 BORROWINGS (CONTINUED)

Interest rates

Interest rates in respect of the Group's securitised debt are shown in note 19. Interest rates applicable to the Group's other borrowings are as follows:

	2009	2008
Unsecured bank borrowings	**Variable***	Variable*
Unsecured loan notes	**Variable***	Variable*
Preference shares	**6.00%**	6.00%

* Variable interest rates on unsecured bank borrowings and loan notes are all linked to LIBOR.

Preference shares

The Group has 75,000 (2008: 75,000) preference shares of £1 each in issue at the balance sheet date. The preference shares carry the right to a fixed cumulative preferential dividend at the rate of 6% per annum (they are also entitled to a non-cumulative dividend of 1% per annum provided that dividends of not less than £24,000 have been paid on the ordinary shares in that year). They participate in the event of a winding-up and on a return of capital and carry the right to attend and vote at general meetings of the Company, carrying four votes per share.

18 DERIVATIVE FINANCIAL INSTRUMENTS

	2009	2008
Interest rate swaps	**£m**	£m
Non-current assets	**0.1**	—
Current liabilities	**(16.1)**	(4.2)
Non-current liabilities	**(77.0)**	(37.6)
	(93.0)	(41.8)

Details of the Group's interest rate swaps are provided in note 20.

19 SECURITISED DEBT

On 9 August 2005, £805.0 million of secured loan notes were issued in connection with the securitisation of 1,592 of the Group's pubs held in Marston's Pubs Limited. On 22 November 2007, a further £330.0 million of secured loan notes (tranches A4 and AB1) were issued in connection with the securitisation of an additional 437 of the Group's pubs, also held in Marston's Pubs Limited. The loan notes are secured over the properties and their future income streams and were issued by Marston's Issuer PLC, a special purpose entity (note 33).

During the period ended 3 October 2009, 52 (2008: 28) of the securitised pubs were sold to third parties, and 7 (2008: 437) pubs were acquired from other members of the Marston's Group. The carrying amount of the securitised pubs at 3 October 2009 was £1,350.5 million (2008: £1,393.4 million).

The securitisation is governed by various covenants, warranties and events of default, many of which apply to Marston's Pubs Limited. These include covenants regarding the maintenance and disposal of securitised properties and restrictions on the ability to move cash to other companies within the Group.

19 SECURITISED DEBT (CONTINUED)

The securitised debt at 3 October 2009 consists of six tranches with the following principal terms:

Tranche	2009 £m	2008 £m	Interest	Principal repayment period — by instalments	Expected average life	Expected maturity date
A1	**189.7**	202.4	Floating	2009 to 2020	3 years	2012
A2	**214.0**	214.0	Fixed/floating	2020 to 2027	10 years	2019
A3	**200.0**	200.0	Fixed/floating	2027 to 2032	18 years	2027
A4	**240.7**	246.2	Floating	2009 to 2031	3 years	2012
AB1	**80.0**	80.0	Floating	2031 to 2035	3 years	2012
B	**155.0**	155.0	Fixed/floating	2032 to 2035	10 years	2019
	1,079.4	1,097.6				

Interest on the Class A1 notes is payable at three month LIBOR plus a margin of 0.55%, stepping up to three month LIBOR plus 1.375% from July 2012.
Interest on the Class A2 notes is payable at a rate of 5.1576% until July 2019 and thereafter at three month LIBOR plus a margin of 1.32%.
Interest on the Class A3 notes is payable at a rate of 5.1774% until April 2027 and thereafter at three month LIBOR plus a margin of 1.45%.
Interest on the Class A4 notes is payable at three month LIBOR plus a margin of 0.65%.
Interest on the Class AB1 notes is payable at three month LIBOR plus a margin of 1.25%.
Interest on the Class B notes is payable at a rate of 5.6410% until July 2019 and thereafter at three month LIBOR plus a margin of 2.55%.

All floating rate notes are hedged in full by the Group using interest rate swaps whereby all interest payments are swapped to fixed interest payable.

At 3 October 2009, Marston's Pubs Limited held cash of £47.9 million (2008: £51.4 million) that was governed by certain restrictions under the covenants associated with the securitisation.

The carrying value of the secured loan notes in the Group balance sheet at 3 October 2009 is analysed as follows:

	£m
Gross proceeds received on 9 August 2005	805.0
Gross proceeds received on 22 November 2007	330.0
	1,135.0
Deferred issue costs	(21.4)
	1,113.6
Capital repayments	(55.6)
Amortisation of deferred issue costs	7.1
Carrying value at 3 October 2009	**1,065.1**

20 FINANCIAL INSTRUMENTS

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

At 3 October 2009	Derivatives used for hedging £m	Loans and receivables £m	Total £m
Assets as per the balance sheet			
Derivative financial instruments	0.1	—	0.1
Trade receivables (before provision)	—	48.6	48.6
Trade loans (before provision)	—	23.6	23.6
Cash and cash equivalents	—	91.3	91.3
	0.1	**163.5**	**163.6**

At 3 October 2009	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
Liabilities as per the balance sheet				
Derivative financial instruments	77.0	16.1	—	93.1
Borrowings	—	—	1,194.9	1,194.9
Trade payables	—	—	42.4	42.4
	77.0	**16.1**	**1,237.3**	**1,330.4**

At 4 October 2008	Loans and receivables £m	Total £m
Assets as per the balance sheet		
Trade receivables (before provision)	44.5	44.5
Trade loans (before provision)	26.3	26.3
Cash and cash equivalents	60.1	60.1
	130.9	**130.9**

At 4 October 2008	Derivatives used for hedging £m	Liabilities at fair value through profit or loss £m	Other financial liabilities £m	Total £m
Liabilities as per the balance sheet				
Derivative financial instruments	37.6	4.2	—	41.8
Borrowings	—	—	1,328.2	1,328.2
Trade payables	—	—	51.0	51.0
	37.6	**4.2**	**1,379.2**	**1,421.0**

20 FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments at fair value through profit or loss were designated as such on initial recognition.

The fair value of financial instruments that are not traded in an active market, such as over-the-counter derivatives, is determined using valuation techniques. The Group obtains such valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date.

The fair values of all financial instruments are equal to their book values, with the exception of borrowings (note 17). The carrying value less impairment provision of trade receivables and trade loans, and the carrying value of trade payables, are assumed to approximate their fair values.

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk and cash flow interest rate risk), credit risk, counterparty risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Interest rate risk:

The Group's income and operating cash flows are substantially independent of changes in market interest rates, and as such the Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated, taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on the income statement of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

If interest rates had been 1.0% higher/lower during the period ended 3 October 2009, with all other variables held constant, post-tax profit for the period would have been £0.7 million (2008: £0.9 million) lower/higher as a result of higher/lower interest expense on floating rate borrowings.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional amounts.

The Group uses interest rate swaps to fix the interest rate payable on the floating rate tranches of its securitised debt (note 19). These derivative financial instruments have qualified for cash flow hedge accounting, and, as a result, changes in fair value are recognised in equity for the effective portion of the hedge. The losses taken directly to equity in the period totalled £39.3 million (2008: £38.3 million).

The notional principal amounts of these interest rate swap contracts at 3 October 2009 totalled £510.4 million (2008: £528.6 million). The interest rate swaps fix interest at 4.9% and 5.5%.

20 FINANCIAL INSTRUMENTS (CONTINUED)

On 1 October 2007, the Group entered into two interest rate swaps of £70.0 million each to fix the interest rate payable on the Group's unsecured bank borrowings. These derivative financial instruments have not qualified for cash flow hedge accounting, and, as a result, changes in fair value are recorded in the income statement. The losses taken to the income statement in the period totalled £11.9 million (2008: £4.2 million) (note 4).

The notional principal amounts of these interest rate swap contracts at 3 October 2009 totalled £140.0 million (2008: £140.0 million). The interest rate swaps fix interest at 5.5% and 5.6%.

On 20 May 2009, the Group entered into a further interest rate swap of £20.0 million to fix the interest rate payable on the Group's unsecured bank borrowings. This derivative financial instrument has qualified for cash flow hedge accounting, and, as a result, changes in fair value are recognised in equity for the effective portion of the hedge. The losses taken directly to equity in the period totalled £0.1 million. The notional principal amount of this interest rate swap contract at 3 October 2009 totalled £20.0 million. The interest rate swap fixes interest at 1.1%. This interest rate swap contract terminates on 8 August 2010.

On the same day, the Group entered into a forward starting interest rate swap of £20.0 million to continue to fix the interest rate payable on the Group's unsecured bank borrowings. This derivative financial instrument has qualified for cash flow hedge accounting, and, as a result, changes in fair value are recognised in equity for the effective portion of the hedge. The gains taken directly to equity in the period totalled £0.1 million. The notional principal amount of this interest rate swap contract at 3 October 2009 was £20.0 million. The interest rate swap fixes interest at 3.3%. This interest rate swap commences on 9 August 2010 and terminates on 8 August 2013.

The interest rate risk profile, after taking account of derivative financial instruments, is as follows:

	2009			2008		
	Floating rate financial liabilities £m	**Fixed rate financial liabilities £m**	**Total £m**	Floating rate financial liabilities £m	Fixed rate financial liabilities £m	Total £m
Borrowings	**5.4**	**1,204.5**	**1,209.9**	107.7	1,237.7	1,345.4

The weighted average interest rate of the fixed rate financial borrowings was 5.5% (2008: 5.4%) and the weighted average period for which the rate is fixed was eight years (2008: nine years).

Foreign currency risk:
The Group buys and sells goods denominated in non-sterling currencies, principally US dollars and euros. As a result, movements in exchange rates can affect the value of the Group's income and expenditure. The Group's exposure in this area is not considered to be significant.

Market risk:
The Group's market risk is explained in detail in the Corporate Governance Report on pages 31 to 36.

Counterparty risk:
The Group's counterparty risk in respect of its cash and cash equivalents is mitigated by the use of three UK banking institutions for its deposits.

There is no significant concentration of counterparty risk in respect of the Group's pension assets, as these are held with a range of institutions.

20 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk:

Credit risk is managed on a Group basis. Credit risk arises from credit exposure to customers, including outstanding receivables and committed transactions. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, an assessment is made of the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of and adherence to credit limits are regularly monitored.

A provision for impairment of trade receivables and free trade loans has been estimated by management following a review of individual receivable accounts and is based on prior experience and known factors at the balance sheet date after taking into account collateral held in the form of cash deposits and fixtures and fittings. Receivables are written off against the provision for impairment when management considers that the debt is no longer recoverable.

The Group has no significant concentration of credit risk in respect of its customers. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

Liquidity risk:

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents) on the basis of expected cash flow. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans. The Group's borrowing covenants are subject to regular review.

The table below analyses the Group's financial liabilities and non-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 3 October 2009	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings	93.3	90.0	389.5	1,745.2	2,318.0
Derivative financial instruments	19.5	10.7	13.4	43.4	87.0
Trade payables	42.4	—	—	—	42.4
	155.2	**100.7**	**402.9**	**1,788.6**	**2,447.4**

At 4 October 2008	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m	Total £m
Borrowings	91.7	272.2	241.0	1,828.3	2,433.2
Derivative financial instruments	(6.2)	5.6	2.1	54.1	55.6
Trade payables	51.0	—	—	—	51.0
	136.5	**277.8**	**243.1**	**1,882.4**	**2,539.8**

Over the life of the Group's derivative financial instruments, the cumulative fair value gain/loss on those instruments will be £nil as it is the Group's intention to hold them to maturity.

21 TRADE AND OTHER PAYABLES

	2009 £m	2008 £m
Trade payables	**42.4**	51.0
Other taxes and social security	**15.8**	20.9
Accruals and deferred income	**34.9**	38.8
Deferred consideration (note 32)	**—**	5.6
Other payables	**16.5**	17.2
	109.6	133.5

22 DEFERRED TAX

Net deferred tax liability

Deferred tax is calculated on temporary differences between tax bases of assets and liabilities and their carrying amounts under the liability method using a tax rate of 28% (2008: 28%). The movement on the deferred tax accounts is as shown below:

	2009 £m	2008 £m
At beginning of the period	**141.8**	154.8
Acquisitions	**—**	3.9
Credited to the income statement	**(11.6)**	(1.3)
(Credited)/charged to equity		
Impairment and revaluation of properties	**(5.3)**	(5.4)
Share-based payments	**—**	0.5
Hedging reserve	**(11.0)**	(10.7)
At end of the period	**113.9**	141.8

The movements in deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below. Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred tax liabilities

	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Other £m	Total £m
At 5 October 2008	35.8	130.6	15.8	7.3	189.5
(Credited)/charged to the income statement	(5.3)	0.9	(6.6)	0.1	(10.9)
Credited to equity	—	(5.3)	—	—	(5.3)
At 3 October 2009	**30.5**	**126.2**	**9.2**	**7.4**	**173.3**

22 DEFERRED TAX (CONTINUED)

Deferred tax assets

	Pensions £m	Tax losses £m	Share-based payments £m	Hedging reserve £m	Other £m	Total £m
At 5 October 2008	(10.6)	(25.1)	(0.1)	(10.5)	(1.4)	(47.7)
Charged/(credited) to the income statement	0.7	1.8	0.1	—	(3.3)	(0.7)
Credited to equity	—	—	—	(11.0)	—	(11.0)
At 3 October 2009	**(9.9)**	**(23.3)**	**—**	**(21.5)**	**(4.7)**	**(59.4)**
Net deferred tax liability						
At 4 October 2008						141.8
At 3 October 2009						**113.9**

Deferred tax liabilities

	Accelerated capital allowances £m	Revaluation of properties £m	Rolled over capital gains £m	Hedging reserve £m	Other £m	Total £m
At 30 September 2007	32.2	142.2	16.5	0.3	4.0	195.2
Acquisitions	0.3	(0.2)	—	—	3.8	3.9
Charged/(credited) to the income statement	3.3	(6.0)	(0.7)	(0.1)	(0.5)	(4.0)
Credited to equity	—	(5.4)	—	(0.2)	—	(5.6)
At 4 October 2008	**35.8**	**130.6**	**15.8**	**—**	**7.3**	**189.5**

Deferred tax assets

	Pensions £m	Tax losses £m	Share-based payments £m	Hedging reserve £m	Other £m	Total £m
At 30 September 2007	(12.9)	(26.2)	(1.1)	—	(0.2)	(40.4)
Charged/(credited) to the income statement	2.3	1.1	0.5	—	(1.2)	2.7
Charged/(credited) to equity	—	—	0.5	(10.5)	—	(10.0)
At 4 October 2008	**(10.6)**	**(25.1)**	**(0.1)**	**(10.5)**	**(1.4)**	**(47.7)**
Net deferred tax liability						
At 29 September 2007						154.8
At 4 October 2008						**141.8**

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where it is probable that these assets will be recovered.

23 OTHER NON-CURRENT LIABILITIES

	2009 £m	2008 £m
Accruals and deferred income	**0.3**	0.3
Other liabilities	**0.4**	0.3
	0.7	0.6

24 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Property leases	2009 £m	2008 £m
At beginning of the period	**6.0**	8.5
Acquisitions	**—**	0.2
Disposals	**(1.2)**	(2.1)
Recognition of onerous lease and other property related provisions (note 4)	**12.9**	—
Credited to the income statement	**(0.5)**	(0.6)
At end of the period	**17.2**	6.0

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as liabilities in provisions. Other contractual property costs are also recorded as provisions as appropriate.

Payments are expected to continue on these properties for periods of 1 to 61 years (2008: 3 to 38 years).

25 PENSION COMMITMENTS

During the period the Group contributed to a funded defined benefit (final salary) pension scheme and ten defined contribution arrangements.

Defined contribution schemes

Pension costs for defined contribution schemes are as follows:

	2009 £m	2008 £m
Defined contribution schemes	**1.2**	1.2

Defined benefit scheme

An updated actuarial valuation of the Marston's PLC Pension and Life Assurance Scheme was performed by Mercer as at 3 October 2009 for the purposes of IAS 19. The principal assumptions made by the actuaries were:

	2009	2008
Discount rate	**5.6%**	6.6%
Rate of increase in pensionable salaries	**3.6%**	4.1%
Rate of increase in pensions — 5% LPI	**3.1%**	3.4%
Rate of increase in pensions — 2.5% LPI	**2.3%**	2.3%
Inflation assumption	**3.1%**	3.4%
Expected return on scheme assets	**6.1%**	7.1%
Life expectancy for active and deferred members from age 65		
Male	**22.2 years**	22.2 years
Female	**25.0 years**	25.0 years
Life expectancy for current pensioners from age 65		
Male	**20.5 years**	20.5 years
Female	**23.4 years**	23.4 years

The expected return on scheme assets is based on market expectation at the beginning of the period for returns over the entire life of the benefit obligation. Mortality assumptions are based on standard tables adjusted for scheme experience and with an allowance for future improvement in life expectancy.

Movement in scheme assets and pension obligations during the period:

	Scheme assets		Pension obligations		Net deficit	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
At beginning of the period	**273.7**	301.5	**(311.6)**	(340.1)	**(37.9)**	(38.6)
Current service cost	**—**	—	**(2.6)**	(3.3)	**(2.6)**	(3.3)
Interest cost on benefit obligations	**—**	—	**(20.3)**	(19.4)	**(20.3)**	(19.4)
Expected return on scheme assets	**19.2**	20.6	**—**	—	**19.2**	20.6
Employer contributions	**13.8**	19.7	**—**	—	**13.8**	19.7
Employee contributions	**0.1**	0.3	**(0.1)**	(0.3)	**—**	—
Benefits paid	**(14.5)**	(13.6)	**14.5**	13.6	**—**	—
Actuarial gains/(losses)	**22.2**	(54.8)	**(29.7)**	37.9	**(7.5)**	(16.9)
At end of the period	**314.5**	273.7	**(349.8)**	(311.6)	**(35.3)**	(37.9)

25 PENSION COMMITMENTS (CONTINUED)

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2009	2008
Equities/Properties	**62.9%**	57.0%
Bonds/Gilts	**37.0%**	37.5%
Cash/Other	**0.1%**	5.5%

The actual return on scheme assets was a gain of £41.4 million (2008: loss of £34.2 million).

Pension costs recognised in the income statement

The amounts recognised in the income statement are as follows:

	2009 £m	2008 £m
Current service cost	**2.6**	3.3
Interest cost	**20.3**	19.4
Expected return on scheme assets	**(19.2)**	(20.6)
Total expense recognised in the income statement	**3.7**	2.1

Of the total charge, £2.6 million (2008: £3.3 million) is included within employee costs (note 5) and £1.1 million (2008: £(1.2) million) is included within finance costs and income (note 6).

Cumulative actuarial gains and losses recognised in equity

	2009 £m	2008 £m
At beginning of the period	**(10.4)**	6.5
Net actuarial losses recognised in the period	**(7.5)**	(16.9)
At end of the period	**(17.9)**	(10.4)

Post-retirement medical benefits of £(0.1) million (2008: £0.1 million) have been included in the statement of recognised income and expense.

History of experience gains and losses

	2009	2008	2007	2006	2005
Experience adjustments arising on scheme assets:					
Amount	**£22.2m**	£(54.8)m	£8.9m	£(6.6)m	£15.9m
Percentage of fair value of scheme assets	**7.1%**	20.0%	3.0%	2.7%	7.3%
Experience adjustments arising on scheme liabilities:					
Amount	**£13.1m**	—	—	£(24.6)m	—
Percentage of present value of scheme liabilities	**3.7%**	—	—	8.2%	—
Present value of scheme liabilities	**£(349.8)m**	£(311.6)m	£(340.1)m	£(298.2)m	£(264.9)m
Fair value of scheme assets	**£314.5m**	£273.7m	£301.5m	£245.1m	£219.3m
Deficit	**£(35.3)m**	£(37.9)m	£(38.6)m	£(53.1)m	£(45.6)m

The contribution expected to be paid during the financial period ending 2 October 2010 amounts to £14.2 million from the employer and £0.1 million from employees.

NOTES CONTINUED

For the 52 weeks ended 3 October 2009

26 SHARE-BASED PAYMENTS

During the period there were three classes of equity-settled employee share incentive plans outstanding:

(a) Save As You Earn (SAYE). Under this scheme employees enter into a savings contract for a period of three to seven years and options are granted on commencement of the contract, exercisable using the amount saved under the contract at the time it terminates. Options under the scheme are granted at a discount of 20% of the market price of the shares at the time of the invitation and are not subject to performance conditions. Exercise of options is subject to continued employment.

(b) Executive Share Option Plan (ESOP). Under this scheme executive share options are awarded at the prevailing market rate on the date of the grant. Options are normally exercisable between three and ten years after grant and upon the achievement of performance criteria in relation to earnings per share, as set out in the Directors' Remuneration Report on page 38.

(c) Long Term Incentive Plan (LTIP). Under this scheme nil cost options are granted that will only vest provided the participant satisfies the minimum shareholding requirement and performance conditions relating to earnings per share, as set out in the Directors' Remuneration Report on page 39, are met.

The tables below summarise outstanding options that were issued after 7 November 2002. All comparative figures have been restated to reflect the rights issue completed in July 2009.

	Number of shares		**Weighted average exercise price**	
	2009	2008	**2009**	2008
SAYE:	**m**	m	**p**	p
Outstanding at beginning of the period	**4.4**	3.2	**138.5**	169.2
Granted	**2.8**	2.7	**94.7**	123.4
Exercised	**—**	(0.5)	**—**	100.8
Expired	**(2.7)**	(1.0)	**132.9**	198.4
Outstanding at end of the period	**4.5**	4.4	**109.7**	138.5
Exercisable at end of the period	**0.3**	0.4	**139.4**	142.1
Range of exercise prices	**92.8p to 265.5p**	92.8p to 265.5p		
Weighted average remaining contractual life (years)	**3.3**	3.5		

	Number of shares		**Weighted average exercise price**	
	2009	2008	**2009**	2008
ESOP:	**m**	m	**p**	p
Outstanding at beginning of the period	**0.1**	0.1	**108.4**	108.4
Exercised	**—**	—	**—**	108.4
Outstanding at end of the period	**0.1**	0.1	**108.4**	108.4
Exercisable at end of the period	**0.1**	0.1	**108.4**	108.4
Exercise price	**108.4p**	108.4p		
Weighted average remaining contractual life (years)	**1.6**	2.9		

26 SHARE-BASED PAYMENTS (CONTINUED)

	Number of shares		Weighted average exercise price	
	2009	2008	**2009**	2008
LTIP:	**m**	m	**p**	p
Outstanding at beginning of the period	**2.8**	2.4	**—**	—
Granted	**—**	1.4	**—**	—
Exercised	**—**	(0.6)	**—**	—
Expired	**(0.9)**	(0.4)	**—**	—
Outstanding at end of the period	**1.9**	2.8	**—**	—
Exercisable at end of the period	**—**	—		
Exercise price	**—**	—		

LTIP options are exercisable until the retirement date of the holder.

The fair values of the SAYE, ESOP and LTIP rights are calculated at the date of grant using the Black–Scholes option-pricing model. The main assumptions used during the period, for all schemes unless otherwise stated, were:

	2009	2008
Dividend yield %	**8.4**	5.5
Expected volatility %	**36.5 to 50.9**	24.9 to 29.4
Risk-free interest rate %	**2.4 to 3.3**	5.4 to 5.8
Expected life of rights		
SAYE	**3 to 7 years**	3 to 7 years
ESOP	**3 years**	3 years
LTIP	**3 years**	3 years

The expected volatility is based on historical volatility over the expected life of the rights. The performance criteria of the ESOP and LTIP, as set out previously, are built into the pricing model.

The weighted average fair value of options granted during the period in relation to the SAYE was 27.1p (2008: 38.5p). The fair value of options granted during the period in relation to the LTIP was nil (2008: 105.5p).

The weighted average share price for options exercised over the period was 108.1p (2008: 147.2p). The total credit for the period relating to employee share-based payment plans was £0.4 million (2008: charge of £0.1 million), all of which related to equity-settled share-based payment transactions. After tax, the total credit was £0.3 million (2008: charge of £0.3 million).

26 SHARE-BASED PAYMENTS (CONTINUED)

The table below summarises outstanding options that were issued prior to 7 November 2002 which have therefore not been charged to the income statement:

	SAYE				ESOP			
	Number of shares		Weighted average exercise price		Number of shares		Weighted average exercise price	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
	m	m	**p**	p	**m**	m	**p**	p
Outstanding at beginning of the period	**0.1**	0.1	**99.4**	89.7	**0.3**	0.3	**101.1**	93.8
Exercised	**—**	—	**99.4**	73.3	**—**	—	**—**	97.3
Expired	**—**	—	**99.4**	99.4	**(0.2)**	—	**102.8**	92.9
Outstanding at end of the period	**0.1**	0.1	**99.4**	99.4	**0.1**	0.3	**98.6**	101.1
Exercisable at end of the period	**0.1**	—	**99.4**	—	**0.1**	0.3	**98.6**	101.1
Weighted average share price at date of exercise			**108.1**	228.3			**—**	147.3
Range of exercise prices	**99.4p**	99.4p			**92.6p to 102.9p**	92.6p to 102.9p		
Weighted average remaining contractual life (years)	**0.2**	1.2			**1.4**	2.8		

The LTIP was introduced in January 2004.

27 EQUITY SHARE CAPITAL

	2009		2008	
Authorised	**Number m**	**Value £m**	Number m	Value £m
Ordinary shares of 7.375p each	**800.0**	**59.0**	406.8	30.0

	2009		2008	
Allotted, called up and fully paid	**Number m**	**Value £m**	Number m	Value £m
Ordinary shares of 7.375p each:				
At beginning of the period	**302.8**	**22.3**	311.2	23.0
Allotted under share option schemes	**—**	**—**	0.3	—
Shares issued in respect of the rights issue	**298.9**	**22.0**	—	—
Cancellation of shares	**(1.0)**	**—**	(8.7)	(0.7)
At end of the period	**600.7**	**44.3**	302.8	22.3

In July 2009, the Company issued 298.9 million ordinary shares of 7.375p each at 59.0p per share by way of a rights issue. The rights issue was on the basis of 11 new shares for every 10 shares held on 1 July 2009. The net proceeds were £165.6 million.

A total of nil (2008: 0.3 million) ordinary shares were issued during the period ended 3 October 2009 pursuant to the exercise of ESOP and SAYE share options. The aggregate consideration in respect of these exercises was £nil (2008: £0.4 million).

At 3 October 2009, there were 0.2 million (2008: 0.4 million) executive share options outstanding and 4.6 million (2008: 4.5 million) SAYE options outstanding at prices from 92.6p to 265.5p per share exercisable between 2009 and 2017. Details of the Group's LTIP and other executive share option schemes are included in the Directors' Remuneration Report on pages 38 to 39.

NOTES CONTINUED

For the 52 weeks ended 3 October 2009

28 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Equity share capital £m	Share premium account £m	Merger reserve £m	Re-valuation reserve £m	Capital redemp-tion reserve £m	Hedging reserve £m	Own shares £m	Foreign exchange reserve £m	Retained earnings £m	Total £m
At 5 October 2008	22.3	188.9	41.5	436.1	6.8	(27.1)	(134.5)	0.2	172.7	706.9
Actuarial losses	—	—	—	—	—	—	—	—	(7.5)	(7.5)
Tax on actuarial losses	—	—	—	—	—	—	—	—	2.1	2.1
Post-retirement medical benefits	—	—	—	—	—	—	—	—	(0.1)	(0.1)
Share-based payments	—	—	—	—	—	—	—	—	(0.4)	(0.4)
Cash flow hedges	—	—	—	—	—	(39.3)	—	—	—	(39.3)
Tax on cash flow hedges	—	—	—	—	—	11.0	—	—	—	11.0
Property impairment	—	—	—	(43.9)	—	—	—	—	—	(43.9)
Property revaluation	—	—	—	3.0	—	—	—	—	—	3.0
Deferred tax on properties	—	—	—	5.3	—	—	—	—	—	5.3
Disposal of properties	—	—	—	(4.4)	—	—	—	—	4.4	—
Transfer to retained earnings	—	—	—	(0.1)	—	—	—	—	0.1	—
Net rights issue proceeds	22.0	143.6	—	—	—	—	—	—	—	165.6
Cancellation of own shares	—	—	—	—	—	—	3.6	—	(3.6)	—
Profit for the period	—	—	—	—	—	—	—	—	16.4	16.4
Dividends paid	—	—	—	—	—	—	—	—	(35.9)	(35.9)
At 3 October 2009	**44.3**	**332.5**	**41.5**	**396.0**	**6.8**	**(55.4)**	**(130.9)**	**0.2**	**148.2**	**783.2**

28 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

	Equity share capital £m	Share premium account £m	Merger reserve £m	Re-valuation reserve £m	Capital redemp-tion reserve £m	Hedging reserve £m	Own shares £m	Foreign exchange reserve £m	Retained earnings £m	Total £m
At 30 September 2007	23.0	188.5	41.5	438.4	6.1	0.5	(135.3)	—	185.8	748.5
Actuarial losses	—	—	—	—	—	—	—	—	(16.9)	(16.9)
Tax on actuarial losses	—	—	—	—	—	—	—	—	4.7	4.7
Post-retirement medical benefits	—	—	—	—	—	—	—	—	0.1	0.1
Issue of own shares from LTIP share trust	—	—	—	—	—	—	0.8	—	(0.8)	—
Share-based payments	—	—	—	—	—	—	—	—	0.1	0.1
Tax on share-based payments	—	—	—	—	—	—	—	—	(0.5)	(0.5)
Cash flow hedges	—	—	—	—	—	(38.3)	—	—	—	(38.3)
Tax on cash flow hedges	—	—	—	—	—	10.7	—	—	—	10.7
Property impairment	—	—	—	(4.3)	—	—	—	—	—	(4.3)
Deferred tax on properties	—	—	—	5.4	—	—	—	—	—	5.4
Disposal of properties	—	—	—	(3.2)	—	—	—	—	3.2	—
Transfer to retained earnings	—	—	—	(0.2)	—	—	—	—	0.2	—
Foreign exchange	—	—	—	—	—	—	—	0.2	—	0.2
Share option schemes	—	0.4	—	—	—	—	—	—	—	0.4
Cancellation of own shares	(0.7)	—	—	—	0.7	—	—	—	(29.2)	(29.2)
Profit for the period	—	—	—	—	—	—	—	—	61.8	61.8
Dividends paid	—	—	—	—	—	—	—	—	(35.8)	(35.8)
At 4 October 2008	**22.3**	**188.9**	**41.5**	**436.1**	**6.8**	**(27.1)**	**(134.5)**	**0.2**	**172.7**	**706.9**

NOTES CONTINUED

For the 52 weeks ended 3 October 2009

28 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

The merger reserve recognised on the acquisition of Burtonwood reflects the difference between the nominal and fair value of the Company's shares issued as part of the consideration for the acquisition. Merger relief was taken, relieving the Group from the need to transfer this difference to the share premium account. The capital redemption reserve arose on share buy-backs.

Own shares represent the carrying value of investment in own shares held by the Group's ESOP and LTIP and in treasury shares as set out in the table below. ESOP and LTIP shares are held pursuant to the Company's executive share option schemes. The trustee of the ESOP is Banks's Brewery Insurance Limited, a wholly owned subsidiary of Marston's PLC. The trustee of the LTIP is Computershare Trustees (C.I.) Limited.

	2009		2008	
	Number of shares m	**Value £m**	Number of shares m	Value £m
ESOP	**0.1**	**0.1**	0.1	0.1
LTIP	**1.3**	**4.1**	1.3	4.1
Treasury shares	**30.2**	**126.7**	31.1	130.3
	31.6	**130.9**	32.5	134.5

The market value of own shares held is £29.5 million (2008: £43.2 million). Shares held by the LTIP represent 0.2% (2008: 0.4%) of issued share capital. Treasury shares held represent 5.0% (2008: 10.3%) of issued share capital. On 9 October 2008 1.0 million treasury shares were cancelled.

Dividends on own shares have been waived.

Capital management

The Group considers its capital to comprise equity and debt financing. In managing its capital the primary objective is to ensure that the Group is able to continue to operate as a going concern and to maximise return to shareholders through a combination of capital growth and distributions. The Group seeks to maintain a ratio of debt to equity that balances risks and returns at an acceptable level and maintains sufficient funds to meet working capital targets, investment requirements and comply with lending covenants. The Board reviews the Group's dividend policy and funding requirements annually.

29 WORKING CAPITAL AND NON-CASH MOVEMENTS

	2009 £m	2008 £m
Income from other non-current assets	**(0.6)**	(0.5)
Decrease/(increase) in inventories	**1.7**	(0.5)
Increase in trade and other receivables	**(2.2)**	(0.5)
(Decrease)/increase in trade and other payables and other non-current liabilities	**(19.5)**	3.6
Movements in respect of property, plant and equipment, assets held for sale and intangible assets	**36.7**	(2.4)
Share-based payments	**(0.4)**	0.1
Working capital and non-cash movements	**15.7**	(0.2)

30 ANALYSIS OF NET DEBT

	2009 £m	Cash flow £m	Non-cash movements and deferred issue costs £m	Acquisitions £m	2008 £m
Cash and cash equivalents					
Cash at bank and in hand	**91.3**	31.2	—	—	60.1
Bank overdraft	**—**	5.6	—	—	(5.6)
	91.3	36.8	—	—	54.5
Trade and other receivables					
Prepaid issue costs	**4.3**	—	4.3	—	—
	4.3	—	4.3	—	—
Debt due within one year					
Loan notes	**(5.4)**	3.0	—	(0.3)	(8.1)
Bank loans	**0.7**	—	0.5	—	0.2
Securitised debt	**(16.7)**	18.2	(19.3)	—	(15.6)
Finance leases	**—**	0.1	—	—	(0.1)
	(21.4)	21.3	(18.8)	(0.3)	(23.6)
Debt due after one year					
Bank loans	**(125.0)**	109.0	(0.3)	—	(233.7)
Securitised debt	**(1,048.4)**	—	16.8	—	(1,065.2)
Preference shares	**(0.1)**	—	—	—	(0.1)
	(1,173.5)	109.0	16.5	—	(1,299.0)
	(1,099.3)	167.1	2.0	(0.3)	(1,268.1)

Included within cash at bank and in hand is an amount of £3.9 million (2008: £3.9 million), 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 (note 19).

Prepaid issue costs are in respect of the extension to the Group's bank facility that was agreed during the period.

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

NOTES CONTINUED
For the 52 weeks ended 3 October 2009

31 OPERATING LEASES

The Group as lessee

The Group leases various properties and equipment under non-cancellable operating leases. The leases have various terms, escalation clauses and renewal rights. Future minimum lease rentals payable under non-cancellable operating leases are as follows:

	2009		2008	
Due:	**Land and buildings £m**	**Other £m**	Land and buildings £m	Other £m
Within one year	**15.4**	**0.8**	12.4	0.7
In more than one year but less than five years	**57.2**	**1.2**	47.1	0.7
In more than five years	**237.0**	**—**	214.9	—
	309.6	**2.0**	274.4	1.4

The Group as lessor

The Group leases a proportion of its licensed estate and other non-licensed properties to tenants. The majority of lease agreements have terms of between 3 and 21 years and are classified as operating leases. Future minimum lease rentals receivable under non-cancellable operating leases are as follows:

	2009		2008	
Due:	**Land and buildings £m**	**Other £m**	Land and buildings £m	Other £m
Within one year	**28.8**	**—**	36.0	—
In more than one year but less than five years	**103.4**	**—**	112.8	—
In more than five years	**307.9**	**—**	319.8	—
	440.1	**—**	468.6	—

32 PRIOR PERIOD ACQUISITIONS

On 2 April 2008, the Group acquired Refresh. A reduction to the fair value of net assets acquired of £0.3 million has been identified during the 52 weeks ended 3 October 2009 and recorded as a fair value adjustment. The balance sheet has not been restated as the adjustment is not considered to be significant. All fair value adjustments have now been finalised.

Deferred consideration of £5.6 million in respect of the acquisition of Refresh was settled on 6 October 2008, comprising £5.3 million of cash and £0.3 million of loan notes.

On 1 February 2008, the Group acquired the free trade business of Hall & Woodhouse. The provisional fair value adjustments stated in the accounts for the 53 weeks ended 4 October 2008 are now confirmed, with no adjustments made to those previously published.

33 SPECIAL PURPOSE ENTITY — MARSTON'S ISSUER PLC

The summarised financial statements of Marston's Issuer PLC are as follows:

Income statement	**2009 £m**	2008 £m
Finance costs	**(60.1)**	(59.2)
Finance income	**60.1**	59.2
Profit for the period attributable to equity shareholders	**—**	—

There are no recognised income and expenses other than the profit for the period.

Cash flow statement	**2009 £m**	2008 £m
Net cash inflow from operating activities	**—**	—
Investing activities		
Interest received	**60.4**	58.2
Advance of loans	**—**	(330.0)
Repayment of loans advanced	**18.2**	15.9
Net cash inflow/(outflow) from investing activities	**78.6**	(255.9)
Financing activities		
Interest paid	**(60.4)**	(58.2)
Proceeds from issue of securitised debt	**—**	330.0
Repayment of securitised debt	**(18.2)**	(15.9)
Net cash (outflow)/inflow from financing activities	**(78.6)**	255.9
Net increase in cash and cash equivalents	**—**	—

Balance sheet	**2009 £m**	2008 £m
Assets		
Amounts due from Marston's Pubs Limited	**1,079.4**	1,097.6
Other receivables	**90.4**	52.3
Liabilities		
Securitised debt	**(1,079.4)**	(1,097.6)
Other payables	**(90.3)**	(52.2)
Total equity	**0.1**	0.1

NOTES CONTINUED

For the 52 weeks ended 3 October 2009

34 PRINCIPAL SUBSIDIARY UNDERTAKINGS

Details of the Group's principal subsidiary undertakings are provided in note 4 to the Company's financial statements.

35 CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

On 9 August 2005, the Group entered into a Tax Deed of Covenant, which was amended on 22 November 2007, the primary objective of which was to ensure that the Group did not trigger a total de-grouping liability of £225.5 million, of which £178.5 million related to Capital Gains Tax (CGT) and £47.0 million related to Stamp Duty Land Tax (SDLT). This would arise in the event of Marston's Pubs Limited being sold outside the Group within six years of the relevant asset transfer date (9 August 2005 or 22 November 2007) for CGT purposes and three years of the relevant asset transfer date for SDLT purposes. The Directors consider the likelihood of such a sale to be remote.

The Group has issued a letter of credit in favour of Royal Sun Alliance Insurance totalling £3.9 million (2008: £3.9 million) to secure reinsurance contracts. The letter of credit is secured on fixed deposit for the same amount.

The Group has also entered into a Deed of Guarantee with the trustees of the Marston's PLC Pension and Life Assurance Scheme ('the Scheme') whereby it guarantees to the Trustees the ongoing obligations of the Group to contribute to the Scheme, and the obligations of the Group to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either a Group company entering liquidation or the Scheme winding up.

INDEPENDENT AUDITORS' REPORT

We have audited the parent Company financial statements of Marston's PLC for the period ended 3 October 2009 which comprise the parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 46, the Directors are responsible for the preparation of the parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 3 October 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent Company financial statements are prepared is consistent with the parent Company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Marston's PLC for the year ended 3 October 2009.

Roy Tandy

Roy Tandy
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
3 December 2009

COMPANY BALANCE SHEET

As at 3 October 2009

	Note	2009 £m	2008 £m
Fixed assets			
Tangible assets	3	**247.6**	267.8
Investments	4	**281.4**	205.1
		529.0	472.9
Current assets			
Assets held for sale	5	**1.0**	3.9
Debtors			
Amounts falling due within one year	6	**883.7**	798.8
Amounts falling due after more than one year	6	**423.9**	409.2
Cash at bank and in hand		**79.1**	37.3
		1,387.7	1,249.2
Creditors Amounts falling due within one year	7	**(1,039.2)**	(986.6)
Net current assets		**348.5**	262.6
Total assets less current liabilities		**877.5**	735.5
Creditors Amounts falling due after more than one year	7	**(0.1)**	(0.1)
Provisions for liabilities and charges	8	**(7.9)**	(4.6)
Net assets		**869.5**	730.8
Capital and reserves			
Equity share capital	10	**44.3**	22.3
Share premium account	11	**332.5**	188.9
Revaluation reserve	11	**39.5**	48.9
Capital redemption reserve	11	**6.8**	6.8
Own shares	11	**(130.9)**	(134.5)
Profit and loss account	11	**577.3**	598.4
Total shareholders' funds	12	**869.5**	730.8

The financial statements on pages 96 to 104 were approved by the Board on 3 December 2009 and signed on its behalf by:

Ralph Findlay
Chief Executive
3 December 2009

NOTES

For the 52 weeks ended 3 October 2009

1 ACCOUNTING POLICIES

Basis of preparation

The Company financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with the Companies Act 2006 and applicable UK accounting standards.

Cash flow statement and related party disclosures

The Company is exempt from preparing a cash flow statement under the terms of FRS 1 (revised) as it is included within the consolidated Group cash flow statement presented in this annual report. The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Group.

Revenue and other operating income

Revenue represents rents receivable from licensed properties, which is recognised in respect of the period to which it relates. Other operating income comprises mainly rents from unlicensed properties.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date that give rise to an obligation to pay more or less tax in the future. Timing differences are differences between the Company's taxable profits and profits as stated in the financial statements. Deferred tax assets and liabilities are not discounted and assets are only recognised where recoverability is probable.

Fixed assets

- Freehold and leasehold properties and fixtures, fittings, tools and equipment are stated at valuation or at cost.
- Depreciation is charged to the profit and loss account on a straight-line basis to provide for the cost of the assets less residual value over their useful lives.
- Freehold and long leasehold buildings are depreciated to residual value over 50 years.
- Short leasehold properties are depreciated over the life of the lease.
- Fixtures, fittings, tools and equipment are depreciated over periods ranging from 3 to 15 years.
- Own labour and interest costs directly attributable to capital projects are capitalised.
- Land is not depreciated.

Properties are revalued by qualified valuers at least once in each rolling five year period, on an existing use basis. When a valuation is below current carrying value, the asset concerned is reviewed for impairment. Impairment losses are charged to the revaluation reserve to the extent that a previous gain has been recorded, and thereafter to the profit and loss account. Surpluses on revaluation are recognised in the revaluation reserve, except where they reverse previously charged impairment losses, in which case they are recorded in the profit and loss account.

Assets held for sale

Assets, typically properties, are categorised as held for sale when the value of the asset will be recovered through a sale transaction rather than continuing use. This condition is met when the sale is highly probable, the asset is available for immediate sale in its present condition and is being actively marketed. In addition, the Company must be committed to the sale and the completion should be expected to occur within one year from the date of classification. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell, and are no longer depreciated.

Disposals of fixed assets

Profit/loss on disposal of fixed assets represents net sale proceeds less carrying value of the assets. Any element of the revaluation reserve relating to the fixed assets disposed of is transferred to the profit and loss reserve at the date of sale.

NOTES CONTINUED
For the 52 weeks ended 3 October 2009

1 ACCOUNTING POLICIES (CONTINUED)

Leases
Rental costs under operating leases are charged to the profit and loss account over the term of the lease. The cost of assets held under finance leases is included within tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under those leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account as incurred.

Investments in subsidiaries
Investments in subsidiaries are stated at cost, less any provision for diminution in value.

Provisions
Provisions are recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Dividends
Dividends proposed by the Board but unpaid at the period end are recognised in the financial statements when they have been approved by the shareholders. Interim dividends are recognised when paid.

Preference shares
Preference shares are treated as borrowings, and dividends payable on those preference shares are charged as interest in the profit and loss account.

Group undertakings
On 23 December 2008 the Company entered into an intra-group funding agreement with certain other members of the Group. The agreement stipulates that all amounts outstanding on any intercompany loan account between these companies are interest bearing at a prescribed rate.

No interest is payable on any amounts owed by/to Group companies who are not party to the intra-group funding agreement.

2 AUDITORS' REMUNERATION
The Company's statutory audit fees for the financial statements were £0.1 million (2008: £0.1 million). Non-audit fees paid to the Company's auditors totalled £0.6 million (2008: £0.6 million).

3 TANGIBLE FIXED ASSETS

	Land and buildings £m	Fixtures, fittings, tools and equipment £m	Total £m
Cost or valuation			
At 5 October 2008	266.5	14.7	281.2
Additions	4.2	1.5	5.7
Transfers to Group undertakings	(11.5)	—	(11.5)
Net transfers to assets held for sale and disposals	(0.3)	—	(0.3)
Impairment/revaluation	(13.0)	—	(13.0)
At 3 October 2009	**245.9**	**16.2**	**262.1**
Depreciation			
At 5 October 2008	10.8	2.6	13.4
Charge for the period	2.4	1.8	4.2
Net transfers to assets held for sale and disposals	(0.2)	—	(0.2)
Impairment/revaluation	(2.9)	—	(2.9)
At 3 October 2009	**10.1**	**4.4**	**14.5**
Net book value at 4 October 2008	255.7	12.1	267.8
Net book value at 3 October 2009	**235.8**	**11.8**	**247.6**

The net book value of land and buildings is split as follows:

	2009 **£m**	2008 £m
Freehold properties	**192.1**	203.2
Leasehold properties over 50 years unexpired	**26.7**	25.5
Leasehold properties under 50 years unexpired	**17.0**	27.0
	235.8	255.7

Cost or valuation of land and buildings comprises:

	2009 **£m**	2008 £m
Valuation	**194.9**	217.7
At cost	**51.0**	48.8
	245.9	266.5

Cost at 3 October 2009 includes £0.4 million (2008: £1.2 million) of assets in the course of construction.

Capital expenditure authorised and committed at the period end but not provided for in the financial statements was £0.5 million (2008: £1.2 million).

During the period, various properties were reviewed for impairment. This review identified an impairment of £11.8 million (2008: £0.1 million) which has been taken either to the profit and loss account or, where the impairment reverses a previous upwards revaluation, to the revaluation reserve.

During the period, a number of properties were revalued prior to their transfer to Marston's Pubs Limited. These revaluations generated an unrealised revaluation surplus of £2.1 million (2008: £nil), a reversal of past revaluation surplus of £0.7 million (2008: £nil) and a reversal of past impairments of £0.3 million (2008: £nil).

NOTES CONTINUED

For the 52 weeks ended 3 October 2009

3 TANGIBLE FIXED ASSETS (CONTINUED)

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

	2009 £m	2008 £m
Profit and loss account:		
Revaluation loss charged as an impairment	**(8.7)**	—
Reversal of past impairment	**0.3**	—
	(8.4)	—
Revaluation reserve:		
Unrealised revaluation surplus	**2.1**	—
Reversal of past revaluation surplus	**(3.8)**	(0.1)
	(1.7)	(0.1)
Net decrease in shareholders' funds/fixed assets	**(10.1)**	(0.1)

4 FIXED ASSET INVESTMENTS

	Subsidiary undertakings £m
Cost	
At 4 October 2008	205.1
Additions	105.0
At 3 October 2009	**310.1**
Impairments	
At 4 October 2008	—
On restructuring of intra-group financing	28.7
At 3 October 2009	**28.7**
Net book value at 4 October 2008	205.1
Net book value at 3 October 2009	**281.4**

The principal subsidiary undertakings are:

	Country of incorporation	**Nature of business**	**% held**	**Class of share**
Marston's Trading Limited	England	Pub retailer and brewer	100	Ordinary £5 shares
Marston's Property Developments Limited	England	Property developer	100	Ordinary £1 shares
Marston's Pubs Limited	England	Pub retailer	100	Ordinary £1 shares
Marston's Estates Limited	England	Property management	100	Ordinary 25p shares
Marston's Operating Limited	England	Pub retailer and brewer	100	Ordinary £1 shares
Banks's Brewery Insurance Limited	Guernsey	Insurance	100	Ordinary £1 shares

Details of the principal operating subsidiaries by type of business are set out above. All of these are held directly by Marston's PLC with the exception of Marston's Operating Limited, which is a wholly owned subsidiary of Marston's Estates Limited, and Marston's Pubs Limited, which is a wholly owned subsidiary of Marston's Pubs Parent Limited, an intermediate holding company. A complete list of subsidiary undertakings is available at the Group's registered office. All subsidiaries have been included in the consolidated financial statements.

The Group financial statements also include the consolidation of Marston's Issuer PLC, which the Directors consider to be a special purpose entity as set out in note 33 to the Group financial statements. The ultimate parent undertaking of Marston's Issuer PLC is Wilmington Trust SP Services (London) Limited, which holds the shares of the company's parent company under a charitable trust. Marston's Issuer PLC was set up with the sole purpose of issuing debt securitised on the assets of Marston's Pubs Limited.

During the period the Company subscribed for an additional 5.8 million ordinary shares in Marston's Estates Limited for £105.0 million.

5 ASSETS HELD FOR SALE

	2009 £m	2008 £m
Properties	**1.0**	3.9

During the period various properties were reviewed for impairment. This review identified an impairment of £1.6 million (2008: £nil) of which £1.5 million (2008: £nil) has been taken to the profit and loss account and £0.1 million (2008: £nil) to the revaluation reserve.

6 DEBTORS

Amounts falling due within one year	2009 £m	2008 £m
Other debtors	**1.1**	0.9
Prepayments and accrued income	**0.1**	—
Amounts owed by Group undertakings	**873.4**	797.9
Interest owed by Group undertakings	**9.1**	—
	883.7	798.8
Amounts falling due after more than one year		
12.5% subordinated loan owed by Group undertakings	**423.9**	409.2

7 CREDITORS

Amounts falling due within one year	2009 £m	2008 £m
Bank loans and overdrafts	**—**	0.5
Unsecured loan notes	**5.1**	6.6
Amounts owed to Group undertakings	**1,004.3**	961.7
Interest owed to Group undertakings	**21.0**	—
Corporation tax	**8.7**	17.3
Accruals and deferred income	**0.1**	0.5
	1,039.2	986.6
Amounts falling due after more than one year		
Preference shares	**0.1**	0.1

The preference shares carry a right to a fixed preferential dividend. They participate in the event of a winding-up and carry the right to attend and vote at general meetings of the Company.

Interest is payable on the unsecured loan notes at a variable rate of interest linked to LIBOR.

Amounts owed to Group undertakings are unsecured and repayable on demand.

8 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £m	Property leases £m	Total £m
At 5 October 2008	4.2	0.4	4.6
Recognition of onerous lease and other property related provisions	—	3.1	3.1
Charged/(credited) to the profit and loss account	0.6	(0.4)	0.2
At 3 October 2009	**4.8**	**3.1**	**7.9**

Deferred tax

The amount provided in respect of deferred tax is as follows:	**2009 £m**	2008 £m
Excess of capital allowances over accumulated depreciation	**4.8**	4.2

Deferred tax has been calculated at the tax rates expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted at the balance sheet date.

Property leases

When valuations of leasehold properties (based on future estimated income streams) give rise to a deficit as a result of onerous lease conditions they are recognised as liabilities in provisions. Other contractual property costs are also recorded as provisions as appropriate. Payments are expected to continue on these properties for periods of 1 to 17 years (2008: 15 to 27 years).

9 OPERATING LEASE COMMITMENTS

At 3 October 2009, the Company was committed to making the following payments during the next year in respect of operating leases:

	2009		2008	
	Land and buildings £m	**Other £m**	Land and buildings £m	Other £m
Leases which expire:				
Within one year	**0.3**	**—**	0.1	—
Later than one year and less than five years	**0.3**	**—**	0.3	—
After five years	**5.9**	**—**	5.0	—
	6.5	**—**	5.4	—

10 SHARE CAPITAL

Authorised	2009 Number m	2009 Value £m	2008 Number m	2008 Value £m
Ordinary shares of 7.375p each	**800.0**	**59.0**	406.8	30.0

Allotted, called up and fully paid	2009 Number m	2009 Value £m	2008 Number m	2008 Value £m
Ordinary shares of 7.375p each:				
At beginning of the period	**302.8**	**22.3**	311.2	23.0
Allotted under share option schemes	**—**	**—**	0.3	—
Shares issued in respect of the rights issue	**298.9**	**22.0**	—	—
Cancellation of shares	**(1.0)**	**—**	(8.7)	(0.7)
At end of the period	**600.7**	**44.3**	302.8	22.3

Further information on share capital is provided in note 27 to the Group financial statements.

11 RESERVES

	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Own shares £m	Profit and loss account £m	Total £m
At 5 October 2008	188.9	48.9	6.8	(134.5)	598.4	708.5
Property impairment	—	(3.9)	—	—	—	(3.9)
Property revaluation	—	2.1	—	—	—	2.1
Disposal of properties	—	(7.6)	—	—	7.6	—
Cancellation of own shares	—	—	—	3.6	(3.6)	—
Rights issue	143.6	—	—	—	—	143.6
Profit for the financial period	—	—	—	—	10.8	10.8
Dividends paid	—	—	—	—	(35.9)	(35.9)
At 3 October 2009	**332.5**	**39.5**	**6.8**	**(130.9)**	**577.3**	**825.2**

No profit and loss account is presented for the Company as permitted by section 408 of the Companies Act 2006.

Further information on the rights issue is provided in note 27 to the Group financial statements.

The capital redemption reserve arose on share buy-backs.

Details of own shares are provided in note 28 to the Group financial statements.

The Company's profit and loss account reserve includes £159.2 million (2008: £162.2 million) of unrealised profit from the sale of pubs to its subsidiary.

NOTES CONTINUED

For the 52 weeks ended 3 October 2009

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2009 £m	2008 £m
Profit for the financial period	**10.8**	42.6
Dividends paid	**(35.9)**	(35.8)
(Loss)/profit for the period transferred (from)/to reserves	**(25.1)**	6.8
Share option schemes	**—**	0.4
Cancellation of own shares	**—**	(29.2)
Impairment/revaluation of properties	**(1.8)**	(0.1)
Net proceeds of rights issue	**165.6**	—
Net addition/(reduction) to shareholders' funds	**138.7**	(22.1)
Opening shareholders' funds	**730.8**	752.9
Closing shareholders' funds	**869.5**	730.8

13 CONTINGENT LIABILITIES

The Company has provided guarantees amounting to £nil (2008: £378.0 million) in respect of inter-company convertible loan notes issued by two of its subsidiaries to other subsidiaries. The Company has provided guarantees amounting to £nil (2008: £20.4 million) in respect of other loan notes issued by one of its subsidiaries to a number of its other subsidiaries. The Company has provided guarantees amounting to £nil (2008: £172.6 million) in respect of preference shares issued by one of its subsidiaries to a number of its other subsidiaries.

The Company has also entered into a Deed of Guarantee with Marston's Trading Limited ('Trading') and the Trustees of the Marston's PLC Pension and Life Assurance Scheme ('the Scheme') whereby it guarantees to the Trustees the ongoing obligations of Trading to contribute to the Scheme and the obligations of Trading to contribute to the Scheme in the event of a debt becoming due under section 75 of the Pensions Act 1995 on the occurrence of either Trading entering liquidation or the Scheme winding up.


Thanks for Calling

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