MARSTON'S

6 December 2022

MARSTON'S PLC
RESULTS FOR THE 52 WEEKS ENDED 1 OCTOBER 2022

IMPROVED PROFITABILITY, SUBSTANTIAL INCREASE IN NET ASSET VALUE AND POSITIVE CASH FLOW WITH CONTINUED STRATEGIC MOMENTUM

Marston's, a leading UK operator of 1,468 pubs, today announces its Preliminary Results for the 52 weeks ended 1 October 2022. The period under review, which commenced on 3 October 2021, included a period of disrupted trading in December 2021 /January 2022 due to the re-emergence of COVID-19 in the form of the Omicron variant.

	Underlying*		**Total***	
	2022	2021	**2022**	2021
Total revenue	**£799.6 m**	£401.7 m	**£799.6 m**	£401.7 m
Pub operating profit/(loss)	**£115.4 m**	£5.7 m	**£142.1 m**	£(90.5) m
Share of associate	**£3.3 m**	£(14.5) m	**£3.3 m**	£(14.5) m
Profit/(loss) before tax	**£27.7 m**	£(101.3) m	**£163.4 m**	£(171.1) m
Net profit/(loss)	**£27.5 m**	£(86.2) m	**£137.2 m**	£(128.3) m
Earnings/(loss) per share	**4.3 p**	(13.6) p	**21.7p**	(20.3) p
Net cash inflow/(outflow)	**£26.2 m**	£118.1 m	**£26.2 m**	£118.1 m
NAV per share			**£1.02**	£0.64

**From continuing operations*

Return to more normalised trading despite Omicron disruption

- Full year like-for-like sales 99% of 2019 despite disrupted Christmas trading period
- Drink sales continued to outperform food sales demonstrating the trading resilience of the Group's predominantly community pub estate
- Final 10 weeks of FY2022 like-for-like sales were +3% vs. 2019 and +4% vs. 2021
- Increase in pub operating profit: £115.4 million (FY2021: £5.7 million)
- Improved share of CMBC's profits: £3.3m (FY2021: loss of £(14.5) million)

Positive cash generation, debt reduction and NAV increase

- £26 million net cash inflow from operating activities; underlying net cash inflow (excluding one-offs) of £48 million
- Continued progress with debt reduction strategy: net debt (excluding IFRS 16) reduced by £16 million to £1,216 million (2021: £1,232 million) despite the one-off £22 million net outflows outlined previously
- Property value £2.1 billion, representing an increase of £93.4 million vs. 2021
- Net asset value (NAV) per share increased by c.60% from £0.64 to £1.02 since October 2021
- £9.9 million generated from non-core disposals; disposals 40% ahead of net book value

Positive momentum on "Pubs to be proud of" strategy

- "Back to a Billion": sales and net debt targets by 2026
- Significant improvement in guest, engagement and standards metrics
- Continued focus on repositioning pub estate into simplified format structure to generate strong returns: 22 transformational conversions completed and successful exit from Two for One format
- Simplification of menus driving guest satisfaction and spend per head; enhanced operational and purchasing efficiencies
- Commencement of new digital strategy following external appointment of Director of Digital
- People change programme including significant change in leadership and operational teams, reshaped reward and enhanced engagement and training programme
- Strong ESG agenda encapsulated by "Doing more to be proud of" including energy saving initiatives, focus on social purpose and good governance with improving EHO scores

Current trading and outlook

- Well-positioned to meet challenging market conditions
- Positive current trading, with like-for-like sales in the last 8 weeks +6.8% vs. last year
- Well-positioned, predominantly freehold pub estate with limited exposure to city centres
- Continued investment in repositioning the pub estate
- Managing inflationary challenges within our control: offsetting costs through efficiencies and pricing strategies
- The first winter World Cup and the first Christmas period without restrictions in three years to look forward to. For the two England World Cup games, like-for-like drink sales were c.+50% vs. 2021

Commenting, Andrew Andrea, CEO said:

"I am pleased to report a strong performance over the last 12 months evidenced by a doubling of revenue growth, a return to profit and steady progress with our debt reduction strategy. We have a clear and focused strategy which provides a strong platform for future growth, and it is encouraging to see the actions and initiatives which we have undertaken in 2022 beginning to deliver positive results.

Demand for our predominantly community-based pubs continues to be encouraging despite ongoing macro uncertainty and our estate is well-placed to benefit from changing patterns in consumer behaviour. We are managing cost inflation well and remain confident that our commitment to continue to reduce the Group's debt and return sales to back to £1 billion will drive NAV and shareholder value.

Current trading to the end of November has been positive with encouraging levels of Christmas bookings as we look forward to the first restriction free festive period in three years. Additionally, the World Cup has benefited trading, delivering like for like drink sales of c.+50% for the home team games. Whilst uncertainty remains, Marston's remains well-financed and in great shape to weather the challenges ahead with the right formula, the right strategy and the right team to continue to make progress and deliver shareholder value"

ENQUIRIES:

Marston's PLC	Tel: 01902 329516	**Instinctif Partners**	Tel: 020 7457 2010/2005
Andrew Andrea,	Chief Executive Officer	Justine Warren	
Hayleigh Lupino,	Chief Financial Officer	Matthew Smallwood	

NOTES TO EDITORS

- Marston's is a leading pub operator with a 40% holding in Carlsberg Marston's Brewing Company
- It operates an estate of 1,468 pubs situated nationally, comprising managed, franchised and leased pubs
- Marston's employs around 12,000 people
- The Group uses a number of alternative performance measures (APMs) to enable management and users of the financial statements to better understand elements of financial performance in the period. APMs are explained and reconciled in the appendix to the financial statements.

GROUP OVERVIEW

2022 PERFORMANCE OVERVIEW

2022 has been a year of two halves. The first half year results were impacted by trading restrictions and consumer confidence as a consequence of the disruption caused by the Omicron variant, affecting December 2021 and the critical Christmas trading period through to the end of January 2022. During the second half, we were encouraged that we traded well and consumer demand for our pubs remained robust as more normalised trading conditions resumed. With the impact of COVID-19 restrictions hopefully behind us and despite the well-documented cost inflation, which all businesses are facing currently, the Group will benefit from an estate that is balanced across formats and locations, with well-invested pubs, and is set for future sustainable like-for-like growth and shareholder value creation over the medium to long term.

In 2021 we launched our new vision "Pubs to be proud of" with a purpose "to bring people together, to create happy, memorable, meaningful experiences", which embodies our cultural DNA of being a pub operator at our core, whilst focusing on consistently delivering high levels of guest satisfaction and standards through our great pub teams. The performance supports the progress we are making against our strategy and the transformation which has been implemented across the business in FY2022. Our primary corporate goals remain: reaching two £1 billion financial targets over time, namely the achievement of sales of £1 billion and reducing the Group's debt excluding IFRS 16 lease liabilities to below £1 billion. We continue to make progress on both of these goals.

Trading
Revenue increased by 99% to £799.6 million (2021: £401.7 million from continuing operations), principally reflecting recovery from a period severely impacted by COVID-19 and the significant restrictions to pub trading during the prior year.

As expected, given the significant impact of the Omicron variant during H1 and the important 2021 festive season, like-for-like retail sales for the year as a whole were 1% below 2019 levels, the last pre-pandemic trading year. However, like-for-like retail sales for the 10 weeks to 1 October 2022 were 3% up compared to 2019 and 4% up compared to 2021, showing encouraging recovery and the positive impact of our strategy.

Drink sales have outperformed food sales, once again demonstrating the trading resilience of our predominantly community pub estate. We continue to have confidence that our pub strategy is beginning to deliver positive momentum, evidenced by the trading performance. Our strategy is centered upon delivering affordable pub experiences for our guests in a quality environment both inside and out in our well-invested pub gardens and outdoor trading areas.

Underlying operating profit excluding income from associates was £115.4 million (2021: £5.7 million) with a margin of 14.4% (2021: 1.4%); H1 margin was 10.8% and H2 margin was 17.6%. Underlying operating profit, including income from associates, was £118.7 million (2021: loss of £(8.8) million).

Property and net assets
The Group has moved to annual external valuations of its properties and all pubs will be inspected on a rotational basis. Each year, valuation will be based on a physical inspection of approximately one third of the estate with the remainder subject to a desktop valuation.

The carrying value of the estate is now £2.1 billion (2021: £2.0 billion); as a result of the valuation and leasehold impairment review there is an effective freehold impairment reversal of £88.4 million and a leasehold impairment reversal of £5.0 million, giving a £93.4 million increase in net book value.

During the period, net asset value increased by £241.7 million to £648.1 million. This is primarily due to the increase in the value of our estate and reduction in liabilities from interest rate swaps. As a result of this, net asset value per share has increased to £1.02 (2021: £0.64).

Debt and financing

The vast majority of our borrowing is long-dated and asset-backed. 90% of our borrowings are hedged and therefore not at risk of any changes in interest rate movements that may occur during the year. Further detail is set out in the Performance and Financial Review.

Net debt, excluding IFRS 16 lease liabilities, was £1,216 million, a reduction of £16 million from last year (2021: £1,232 million). Total net debt of £1,594 million (2021: £1,604 million) includes IFRS 16 lease liabilities of £378 million (2021: £372 million).

Carlsberg Marston's Brewing Company (CMBC)

The pandemic and the macroeconomic environment have had an impact on CMBC's trading results in FY2022. The income from CMBC of £3.3 million (2021: loss of £(14.5) million) reflects the Group's share of the statutory profit after tax generated by CMBC. Whilst CMBC's results show a recovery from last year, they also reflect the impact of the Omicron variant during the year; H1 saw a loss of £(2.0) million.

Dividends from associates of £19.4 million were received (2021: £nil), primarily resulting from one-off working capital movements. We remain confident we will receive regular future dividends from CMBC when there is a return to a more normalised market.

Dividend

The Board confirms that given the disruption to trading and the road to recovery from COVID-19 in the financial year under review, and the continued macroeconomic uncertainty, no dividends will be paid in respect of financial year 2022. The Board is cognisant of the importance of dividends to shareholders and intends to keep potential future dividends under review.

Current trading and outlook

Trading since the year end remains encouraging. Like-for-like sales in our managed and franchised pubs are up 6.8% vs the same period last year. October earnings were in line with our expectations. Bookings for Christmas Day and Christmas Fayre are encouraging and are building in momentum. Total bookings for the Christmas period are higher than in 2019 and in line with our plans, albeit walk-in trade typically accounts for a significant proportion of overall sales over the Christmas trading period.

For the two England World Cup games, like-for-like drink sales on those days were c.+50% compared to 2021.

We remain cognisant of the current macroeconomic environment with the cost-of-living crisis, the impact of the conflict in Ukraine and the resulting challenges this brings in respect of cost inflation and the potential impact on disposable income, as well as potential supply issues. However, pubs have demonstrated their resilience time and time again and, to date, there is little in our trading performance to suggest that there has been a change to consumer behaviour; our guests still want to go out and have an affordable treat in a Marston's pub.

Similar to others in the hospitality business, our major cost lines within the business are food, drink, labour and energy. We continue with a relentless focus on managing costs to mitigate the inflationary impact on the business. We are working hard to mitigate as many of these cost pressures as possible and we expect to offset some of these higher levels of inflation through a combination of cost efficiencies and pricing strategies.

Food and drink: c.60% of food is contracted until FY2023 or beyond. For drinks, 74% of the cost is contracted beyond FY2023 and the annual price increases for these contracts are in line with our previous guidance.

Labour: following the Autumn Statement and the higher than initially anticipated increases to NLW/NMW, effective April 2023, we estimate the impact to be an additional c.£2 million of higher costs in FY2023. As part of our pricing review, we will seek to mitigate the majority of this cost.

Energy: the Group's gas price is fixed until the end of March 2025 with no additional incremental spend anticipated. The Group's electricity is hedged for H1 of FY2023, covering the six-month period from October 2022 to March 2023. The Government's six-month energy price cap for businesses is helpful and further protects our H1 energy spend. Regarding H2, we await the review of the price cap, expected by 31 December 2022, albeit at this stage the guidance we have provided on energy costs for the Group's financial year as a whole remains the same. In keeping with our commitment to our ESG strategy, we continue to focus on making efforts to mitigate energy costs wherever possible, such as adopting further energy efficient or saving schemes.

Looking ahead, whilst the short-term outlook is of course uncertain, we remain confident in the future prospects of the Group. What is clear is that people want - and are continuing - to visit our predominantly community pubs. Our customer insight and experience concludes that people still want - and are keen - to socialise, with the pub historically being the place to fulfil that "affordable socialising" occasion, prioritising experience and leisure expenditure over bigger ticket spend. The level of customer demand we are experiencing is encouraging and underpins our confidence that we have the right strategy in place and that it is delivering positive progress on our clearly stated strategic goals. Over and above this, the World Cup and the first Christmas period without restrictions in three years present excellent trading opportunities for Marston's pubs.

ESG – 'Doing more to be proud of'

We remain committed to driving a positive ESG agenda under our 'Doing More to be proud of' initiative, with a target to achieve Net Zero by 2030 for Scope 1 and 2 emissions and by 2040 for Scope 3 and reduction in our food waste by 50% by 2030. We are also focusing on our social impact, including exploring a partnership with the Trussell Trust and providing employment opportunities for vulnerable groups under our Latitude programme. Our commitment to standards and good governance remains with EHO scores of 5* being a KPI.

This year, we will also publish our first TCFD report, detailing the impact of climate change on our business. More information on our initiatives and TCFD report will be available on our website and in our 2022 Annual Report and Accounts, available in December.

STRATEGIC PRIORITIES

Market Dynamics

Despite the challenging macroeconomic environment, our focus has been to ensure we deliver great pub experiences to our guests, at an affordable price in a well-invested estate. History demonstrates that pubs are resilient and are viewed as an affordable treat.

There are five key dynamics of the changing market, which we believe we are well-equipped to benefit from:

Our guests still want to socialise outside the home: the desire to socialise remains strong. A recent CGA survey highlighted that going out to socialise was the number one item of spend to protect in the current environment.

"Brand Pub" is in strong demand: the strategy we set out a year ago focused on creating "Pubs to be proud of" ensuring all of our pubs welcomed drinkers and diners equally. Our strategy remains unchanged. This winter, our campaign will be aimed at welcoming our guests into Marston's warm and cosy pubs as the place to socialise at an affordable price, and enjoy the first winter World Cup.

Lifestyle changes favour community pubs versus town centres: emerging from the pandemic the shift to hybrid working has embedded itself, with office workers typically working 1-2 days a week at home. In addition, in the current climate, for pubs that offer the right experience, guests will consider staying within their local community rather than spending money to travel to a city or town centre. Over 90% of our pubs are in suburban areas and are well placed to exploit this trend. We are focused on providing a "town centre" experience in our suburban pubs, ranging from an improved menu and a guest-led drinks range to ensuring we provide the right entertainment or occasion-led experiences for the local community.

Experience replacing convenience as reason to visit: as referred to above, there is strong demand to socialise outside the home but the focus and expectation of our guests is driven by experience and quality, rather than convenience or price. We seek to be regarded as the "best pub around here" offering a great value, affordable treat but not at the lowest price.

"Al fresco" drinking and eating is here to stay: the demand to eat and drink outside has been increasing for many years, a trend further bolstered post-pandemic. To maximise our opportunity we have invested in outside space with c.85% of our pubs having gardens and c.50 pubs having outdoor screens to show sport, enhancing trading performance throughout the seasons. Order and pay at table systems are key to driving garden sales and we invested in technology during the year to improve both the guest and operational journey. Encouraged by the 2022 performance, we believe our outdoor spaces can be enhanced further by investing £4 million across the estate in 2023 on garden projects to deliver an even better guest experience.

Strategic and Operational Review

2022 – A transformational year

In 2021 we launched our new vision "Pubs to be proud of" with a purpose "to bring people together, to create happy, memorable, meaningful experiences", which embodies our cultural DNA of being a pub operator at our core, whilst focusing on consistently delivering high levels of guest satisfaction and standards through our great pub teams.

Underpinning this vision are clear operational targets which are being monitored and measured by external platforms, such as Reputation.com, EHO scores and Your Voice, our employee engagement platform powered by Peakon, together with the evolution of a stronger sales culture aimed at further improving footfall into our pubs and spend per guest visit. Importantly, the targets set at pub level align with the incentive measures across the entire business and workforce, including the Board and Executive team, to provide consistency of focus at all levels.

During the last year, a change management programme has delivered a transformational change across our business. Underpinning this programme was a significant change in the leadership structure within the organisation.

Operationally, we have again strengthened the team, with around half of the operational field teams joining us within the last year, with an encouraging blend of industry experience and those from a pure retail background, bringing further diversity of thought.

The calibre of external applicants has been very strong, demonstrating the attractiveness of Marston's as a great place to work.

<u>Our Corporate Goals</u>

"Back to a Billion"

Our primary corporate goals are defined by two £1 billion financial targets:

- Achieving sales of £1 billion – this requires around £200 million of sales growth from pre-pandemic levels.
- Reducing net debt excluding IFRS 16 lease liabilities to below £1 billion – this is consistent with our previously stated financial strategy.

We are making progress on our "Back to a Billion" targets. Taking into account the macroeconomic environment, we believe it is appropriate to rebase the net debt target date to 2026.

In delivering these goals we will drive shareholder value by creating a business that is growing sales, earnings and cash generation, reducing debt levels and increasing the underlying net asset value (NAV) through increasing returns.

<u>Delivering our Goals: Making Progress on our Three Strategic Pillars</u>

Guest Obsessed - this pillar ensures that our guests are at the heart of all of our decisions and everything we do.

Evolution of our estate

During the year we have taken the opportunity to reposition some elements of our portfolio that have become more challenged over time:

- **Two for One – 74 pubs:** we decided to accelerate the removal of Two for One from the portfolio and this was completed in September 2022. The conversion, which was implemented at a low capital cost, has proved successful, with a +5.1% improvement to spend per head and a 4% increase in guest satisfaction scores.

- **Rotisserie – 37 pubs:** our format analysis concluded that most of the Rotisserie pubs should convert to the Signature format. As such, as part of the menu rationalisation described below, we have replaced the Rotisserie menu with the Signature menu. As a consequence, we have decommissioned our Rotisserie ovens, which were inefficient: operationally, economically and environmentally. This was completed by the middle of October and is expected to deliver c.£1 million of cost and margin benefit each year.

In response to changing market dynamics, we have categorised all our pubs into three core trading formats to meet changing consumer trends, thereby reducing our exposure to a pure mainstream offer synonymous with discounting and a focus on price over experience, and maximising the trading opportunity in each pub.

Our immediate priority was our food-led business, and we have a clear journey to reposition the trading formats of the food-led estate over the course of the next four years. We have concluded the same exercise with our c.900 managed and franchised wet-led pubs. The review indicated that c.90 pubs should be converted to the Signature format described below over the next four years, and we are planning to convert our first Signature wet-led pubs in 2023.

Importantly, consistency remains key across all formats. Conversion of every pub in our estate to one of the following three formats is ongoing and applies to both our food-led and wet-led pubs and is independent of operational model (managed or retail):

- **"Community":** these are good value, local pubs at the heart of their community. We are unlocking growth through zoning that clearly defines the bar and dining areas of the pub. We are achieving growth from increased drinks volume.

- **"Signature":** in this format we elevate the everyday for our guests placing an emphasis on a warm, timeless country-pub atmosphere with food and drink provenance at the fore. We target a frequency of one to two visits per month, in suburban towns and villages where quality of food, a friendly welcome and familiarity are key drivers.

- **"Revere":** this is our most aspirational offer. Guests visiting these pubs have a higher level of disposable income, eat out frequently and are willing to pay for an elevated experience. In addition, a Signature guest will trade up to a Revere pub or bar for a special occasion.

Guest Driven Category Management – Menu and range rationalisation
Quality of food and drink is the single biggest influencer of guest satisfaction and during the period we have undertaken a full review of both categories.

Consequently, we have streamlined the Group's menus across the estate, significantly reducing the number of different menus and aligning them to one of the three formats described above: Community, Signature and Revere. We also removed operational complexity and unnecessary costs by reducing the size of the menu by 35%-50%, whilst remaining focused on ensuring our food proposition is not compromised despite the challenging cost headwinds and still maintaining guest satisfaction; our guest and employee satisfaction scores have improved.

This exercise has significantly simplified our business and, whilst the primary drivers of the strategy have been guest and operational insight, as with the menu rationalisation, this will drive business-wide efficiencies in our business going forward.

An efficient supply chain and more focused menu has also helped us to achieve our target of reducing food waste; a key component of "*Doing more to be proud of":* our ESG agenda.

Enhancing the Guest Journey
As a consequence of the pandemic, consumer behaviour and expectation towards booking and paying have materially changed. We are seeing an increased level of bookings, rather than impulse visits and, increasingly, there is an expectation that pubs have some form of order and pay at table platform.

In response to these behavioural changes, we have invested in our technology and teams as follows:

- **Bookings:** we have implemented the Collins booking system in 542 of our managed and franchised pubs, focusing on pubs that serve food, and have developed the system to ensure a better booking experience for our guests and better insight and oversight for our operational and finance teams.

- **Order at table:** we have injected additional investment into Orderbee, our order and pay at table platform. Full integration with our existing systems now means processing is seamless and we are able to use the platform more effectively as a tool to drive additional spend per head, as well as providing the guest with a customisable experience. During the summer, a trial of the enhanced system delivered an additional c.13% increase in spend per head and we believe this to be a key contributing factor to maximising the returns on the planned outdoor investment described below.

Insight and data driven decisions
At the start of the year, we launched a new guest insight platform, Reputation.com, which generates a Reputation score for each pub based on social media feedback, regardless of operating model. This platform has embedded in our business with very strong engagement and support from our pub teams. In turn this has dramatically improved the way we engage with and listen to our guests and, as a result, our aggregate Reputation score has increased by over 100 points since inception. We see an opportunity to improve this score further and we have set a target for pubs to achieve a score of 800 (or more). As described below, joining the '800-Club' (in addition to maintaining a 5* EHO rating) triggers an additional incentive payment in our managed and franchised pubs.

We have also developed and evolved our internal Business Information (BI) systems. This has allowed us to unlock the value of the data we collect by presenting a holistic view of our business, identifying opportunities to grow and allowing us to make data driven decisions at pace and to understand the impact of those decisions in real time. Over the next 12 months we will begin to deploy our BI systems across our estate in an easy, accessible and secure way, giving our operational and pub teams greater insight to help them make better business decisions.

We have also partnered with a card analytics agency to help us improve our understanding of guest behaviour and spend habits at a local level, which is particularly important in the current socio economic climate and enables us to adapt our marketing strategy and ensure it is deployed in the most effective manner.

Finally, following the internal promotion of a new Director of Insight and the external hire of a new Director of Digital, we have invested in both our insight and digital teams to ensure we have the right people and technology to be able to respond quickly and appropriately to a constantly changing market and dynamic.

Raise the Bar – this pillar focuses on ensuring we raise our standards in everything we do and are driven by continuous improvement.

Investing in people
We employ around 12,000 people directly in our c.500 managed pubs and an estimated 10,000 indirectly in our c.1,000 franchise and leased pubs. Our people are at the heart of creating "Pubs to be proud of" and engaging and investing in our teams to help them improve the performance is critical to our success.

Reward
We have reviewed our approach to reward in light of the inflationary backdrop and headwinds we are currently facing. Economically, we need to ensure we are offering attractive rates of pay relative to other sectors and, morally, we recognise that we have a role to play in ensuring our teams can financially navigate through the

current cost-of-living crisis, whilst remaining focused upon delivering our key corporate goals. To that end, in March 2022 we increased the minimum hourly wage rates for our pub teams ahead of the national minimum wage rates for all age groups. The annual cost of this measure is currently around £3.5 million but we view this as a key investment in people that will pay for itself through improved service standards and lower churn rates. In addition to the annual pay review, for our lower paid salaried employees, we are making a one-off cost-of-living supplement payment in January 2023. These supplements are banded to ensure that those paid the least, receive the most. For example, all salaried team members earning under £30k per annum will receive the maximum payment of £750.

Resourcing
Following the appointment of a new Director of Talent Acquisition and Employer Brand we have introduced several innovative initiatives to improve our recruitment strategy. Given the profile of our pub teams, app-based recruitment platforms are becoming increasingly important. Social media platforms such as TikTok and Snapchat are also potential recruitment platforms with the potential to reach a wider pool of talent. We are working closely with our agency partners to ensure we are directing our digital and recruitment efforts in a focused and efficient manner.

We have long maintained the importance of apprenticeships in our business. We currently have 326 apprentices, which has doubled since the last reporting period. The programme extends across the organisation from pub team members through to embedded MBA programmes and the launch of the Women in Leadership apprenticeship programme during the year. Through our ESG initiative “Doing more to be proud of” we are also trialling the use of apprenticeships as a way back to work for marginalised groups, including ex-offenders.

Diversity & Inclusion
We have a responsibility to create an environment where people are proud of who they are and feel they can be themselves. We have a number of partners helping us on our journey to a place where everybody can bring their whole self to work. We have established several team member networks, including the Marston’s Pride Network, connecting and supporting our LGBTQ+ team members, and the Women of Marston’s Engagement Network (WOMEN), bringing women and allies together in a safe and supportive environment; to make connections, facilitate success through strong peer support, input into key policies and programmes, drive necessary change and empower women in their professional and personal development. We have partnered with WiHTL for a number of years, a Collaboration Community devoted to increasing Diversity and Inclusion across Hospitality, Travel and Leisure, and are proud signatories of the Diversity in HTL Charter.

We have also partnered with The Burnt Chef Project, who provide mental health support for the hospitality trade and, with their support, this year we have trained hundreds of our line managers in mental health and resilience and we now have an area on our eLearning platform, Campus, that is dedicated to the Burnt Chef resources and tools to help with mental health. We recently became signatories of the Business in the Community Race at Work Charter. The seven key actions we have committed to will improve the quality of opportunity at Marston’s. During the FY2023 we will also expand our networks to men, race and ethnicity and disability.

Training and development
We have introduced a more agile and dynamic training and development agenda into Marston’s through our two digital platforms, Attensi and Campus, to ensure we can identify development needs quickly and offer innovative training solutions. Alongside these we have launched a digital review platform to facilitate more frequent performance and development conversations, and the “Aspire” programme which is intended to develop team members aspiring to run their own pub for the first time.

Communication and engagement
Team engagement is one of the critical success factors of our business. We have continued to use our employee engagement system, Peakon, which enables monthly feedback to and from our people. Despite the challenging backdrop, our Peakon engagement remains strong and what is most pleasing is that in the final quarter, over half of our c.12,000 employees participated in the survey each month – an outstanding result for a retail business. We recognise the nexus between engaged teams and performance, and we are committed to further improvement. As described below, the Peakon score forms part of the bonus structure.

Operational excellence
We aspire to achieve the goals underpinning the vision of "*Pubs to be proud of"* in all of our pubs and have improved the quality and experience of our operations team this year. In addition to providing an excellent guest experience (evidenced through the Reputation score), we remain focused on ensuring that the guest experience is delivered in pubs that are also operating to the appropriate standards, and EHO scores remain a core pub goal which we measure and monitor each month. To support this, we have launched various initiatives in the reporting year, including a standards drive and a new audit app. Recognising the importance of health and safety, EHO scores are also included in most of our bonus schemes.

In H2 of 2022 we rolled out a new labour scheduling system, which amongst other benefits helps ensure that we are deploying the right quantum of labour at the right time in a challenging labour market.

We will Grow – this pillar focuses on the actions that will drive the £1 billion sales target.

Effective Capital Expenditure – "Make Capex Great"
One of the key drivers of our plan for organic growth is the capital investment programme; for both the maintenance of our estate and conversions in line with the estate format aspirations described above.

Our investment capital plans are clearly defined by format and, as such, we have clear visibility and a pipeline of pubs we plan to convert. This provides us with sufficient lead time ahead of the investment itself and permits our commercial, recruitment and training teams to comprehensively plan, execute and support each investment and conversion. In FY2022 we completed 22 transformational conversions and, despite the economic environment, we still intend to convert the remaining c.100 food-led pubs at the appropriate level of investment to achieve the format evolution described above.

In addition, our observation following the pandemic is that the demand to eat and drink in high quality outside space is strong and is a differentiator between pubs. As such we are allocating £4 million on a garden investment programme in FY2023, including 20 larger garden schemes.

From a maintenance perspective, it is critical that the fabric of our pubs is not compromised, regardless of format. This supports delivering a great guest experience as well as maintaining the underlying value of our assets. We have formalised the planned maintenance programme and reduced the maintenance cycle from six to four years. Our aspiration is to reduce this further to three years, in the medium term.

Continued evolution of franchise
Marston's has been the forerunner of the franchise-style model since its introduction in 2009, and it is clear that the owner/entrepreneur mentality of a turnover pub partner drives sales growth in our pubs. In 2021 we introduced a unique new franchise-style agreement, called "Pillar", which enabled pubs with an independent food offer to receive all of the positive elements of a franchise-style arrangement without compromising their food proposition. We now have 64 pubs operating under a Pillar agreement. In addition, we are trialling the franchise model in four food-led pubs that were formerly part of our managed estate and it is our intention to extend this trial further in FY2023.

Developing a Stronger Digital Agenda
We recognised that from a digital perspective Marston's has a significant opportunity to grow volume. As referenced above, we have appointed a new Director of Digital, with an abundance of sector experience. The digital strategy we have subsequently embarked upon combines acquisition activity through the development of third-party partnership relationships, and the development of a targeted individualised digital marketing programme aimed at increasing frequency of visit from our existing guests.

Creating a stronger sales culture – "Never Full, Fancy Another"
We are seeking to engender a more entrepreneurial culture through all of our pubs irrespective of whether they are managed or a partnership. Our sales mantra underpins the definition of a successful pub – a great pub is never full (we can always fit you in) and great pub teams always ask our guests if they would like something else.

Project Boost is designed to create a reward structure over and above the base salary and bonus scheme or pub partner share, to recognise and celebrate outstanding performance. We removed the cap on our operational bonuses ensuring our pub teams and pub partners are focused on maximising sales over and above the annual targets. In addition, we have recently announced a series of quarterly "retain it or lose it" reward schemes relating to guest satisfaction scores, EHO and employee engagement with the qualifying licensees receiving a cash reward at the end of each quarter.

PERFORMANCE AND FINANCIAL REVIEW

Revenue
Revenue increased by 99% to £799.6 million (2021: £401.7 million from continuing operations), principally reflecting recovery from a period severely impacted by COVID-19 and the significant restrictions to pub trading during the prior year.

Trading this year has been impacted by the Omicron variant of COVID-19. Whilst the pubs were not required to shut in England, government recommendations for social distancing, restricted trading in Scotland and Wales and consumer concerns saw a drop in visits and revenue during December 2021 and January 2022; the impact of which was an estimated reduction to revenue of £16 million and EBITDA of £8-10 million compared to a pre-pandemic financial year.

For the year as a whole, like-for-like retail sales are slightly down (1%) relative to 2019 levels, the last pre-pandemic trading year, which is expected given the impact of the Omicron variant during H1. However, like-for-like retail sales for the 10 weeks to the end of the year were 3% up compared to 2019 and 4% up compared to 2021, showing encouraging recovery and the positive impact of our strategy.

Total retail sales in the Group's 1,198 managed and franchise pubs increased by 100% to £734.1 million (2021: £367.8 million) and total outlet sales increased by 101% to £757.2 million (2021: £376.3 million).

Within our pub business we operated 267 pubs under the traditional tenanted and leased model generating revenues of £42.4 million (2021: £25.4 million). It is still our intention to convert the remainder of the tenanted and leased estate to turnover based models in the medium term.

Accommodation sales of £33.1 million show significant growth (2021: £17.2 million), benefitting from the demand for UK staycations.

Profit
Underlying operating profit excluding income from associates was £115.4 million (2021: £5.7 million) with a margin of 14.4% (2021: 1.4%); H1 margin was 10.8% and H2 margin was 17.6%. Underlying operating profit including income from associates was £118.7 million (2021: loss of £(8.8) million).

Underlying EBITDA excluding income from associates was £159.6 million (2021: £48.4 million), and underlying profit before tax was £27.7 million (2021: loss of £(101.3) million). Profit before tax was £163.4 million (2021: loss of £(171.1) million). FY2021 comparison numbers exclude discontinued operations.

The difference between underlying profit before tax and profit before tax is £135.7 million of non-underlying items, which includes a £109.2 million net gain in respect of interest rate swap movements and a £21.6 million net reversal of impairment to the freehold and leasehold property values.

Interest
Our borrowing is largely long-dated and asset-backed. The securitisation is in place until 2035 which provides financing security and high visibility of future cash flows; this is of particular importance in an environment where interest rates are rising to curb inflation. The securitisation is fully hedged until 2035. Other lease related borrowings are index linked, capped and collared at 1%-4%, providing protection against high inflation. Of our £280 million bank facility, £120 million is now hedged. Overall, we are 90% hedged, providing significant protection against changes in interest rate movements that may occur during the year.

Since the financial year end, the £60 million forward floating-to-fixed interest rate swap which was due to take effect from April 2025 was brought forward and started in October 2022.

Taxation
Underlying profit before tax was £27.7 million (2021: loss of £(101.3) million from continuing operations), upon which the underlying tax charge was £0.2 million (2021: credit of £15.1 million). This gives an underlying rate of taxation of 0.7% (2021: 14.9%). The effective tax rate is lower than the standard rate of corporation tax primarily due to super-deductions, post-tax share of income from associates and a credit in respect of deferred tax on property.

The total tax charge is £26.2 million (2021: credit of £42.8 million) on total profit before tax of £163.4 million (2021: loss of £(171.1) million from continuing operations), with an effective tax rate of 16.0%.

Non-underlying items
There is a net non-underlying credit of £135.7 million before tax and £109.7 million after tax. The credit primarily relates a £109.2 million net gain in respect of interest rate swap movements and a net reversal of impairment of £21.6m to the freehold and leasehold property values following the external estate valuation of the Group's effective freehold properties and the impairment review of the Group's leasehold properties undertaken during the year.

Other non-underlying items comprise a £0.7 million charge in respect of the fair value of the contingent consideration from the disposal of the Group's brewing operations and a £5.6 million credit for VAT claims submitted to HM Revenue & Customs in respect of the VAT treatment of gaming machines from 1 January 2006 to 31 January 2013. An explanation of non-underlying items is included within note 4.

The tax charge relating to these non-underlying items is £26.0 million.

Earnings per share
Total earnings per share were 21.7 pence per share (2021: 25.7 pence per share). Underlying earnings per share were 4.3 pence per share (2021: 13.4 pence loss per share).

Capital expenditure and disposals
Capital expenditure was £70.1 million in the year (2021: £46.6 million). We expect that capital expenditure will be around £65 million in 2023. Included in this year's expenditure is the refurbishment of our new head office, St John's House, which was largely completed during FY2022 but will be financed in FY2023.

Proceeds of £9.9 million have been realised in relation to the disposal of non-core pubs and unlicensed properties, which achieved a 40% higher price than the net book value.

Property
The Group has moved to annual external valuations of its properties and all pubs will be inspected on a rotational basis, with approximately one third of the estate being inspected each year and the remainder subject to a desktop valuation. Christie & Co undertook an external valuation in July 2022 and the results have been reflected in the full year accounts.

The carrying value of the estate is now £2.1 billion and as a result of the valuation and leasehold impairment review there is an effective freehold impairment reversal of £88.4 million and a leasehold impairment reversal of £5.0 million, giving a £93.4 million increase in net book value. The average multiples used in the valuation were towards the lower end of our expectations and the multiples disclosed by both peers in their valuations and recent comparable transactions.

Share of Associate (Carlsberg Marston's Brewing Company (CMBC))
The income from CMBC of £3.3 million (2021: loss of £(14.5) million) reflects the Group's share of the statutory profit after tax generated by CMBC in the period. Whilst CMBC's results show a recovery from last year, they also reflect the impact of the Omicron variant during the year; H1 saw an operating loss of £(2.0) million.

Dividends from associates of £19.4 million were received (2021: £nil), primarily resulting from one-off working capital movements. Dividends for this financial year were forecast to be £nil at the time of our interim results due to the significant disruption to trading in the year (including the impact of Omicron) and the potential for continuing uncertainty as a result of cost inflation, uncertainty resulting from the war in Ukraine and macroeconomic environment. However, we remain confident that there will be regular future dividends from CMBC when there is a return to more normalised market conditions.

Pensions
The balance on our final salary scheme was a £15.1 million surplus at 1 October 2022 which compares favourably to the £14.4 million deficit at last year end. This improvement has been primarily driven by the increase in the discount rate assumption, from 2.0% in October 2021 to 5.2% in October 2022, reflecting the increase in corporate bond yields since the year end, partially offset by reductions in asset values. The net annual cash contribution is c.£6m and is only expected to continue for the next 2-3 years.

Debt and financing
The Group remained focused on cash management during the year, particularly during periods where trading was impacted by the Omicron variant. We continued to prioritise cash preservation throughout the disrupted trading period, but also maintained an appropriate level of pub investment to ensure our pubs were well positioned to deliver our strategy.

The Group generated a net cash inflow for the period of £26.2 million including IFRS 16 (£17.7 million excluding IFRS 16). This would have been £48.2 million excluding the net outflow of £22 million for the one-off payments outlined in our interim results relating to deferred duty/VAT and the CMBC contingent consideration.

Net debt, excluding IFRS 16 lease liabilities, was £1,216 million, a decrease of £16 million from last year (2021: £1,232 million). Total net debt of £1,594 million (2021: £1,604 million) includes lease liabilities of £378 million (2021: £372 million).

There was an operating cash inflow of £134.0 million in the year, significantly ahead of last year (2021: £34.7 million), principally reflecting higher profits in the year.

The Group has a range of medium and long-term financing providing an appropriate level of flexibility and liquidity for the medium term: a £280 million bank facility to March 2024 - at the period end £215 million was drawn providing headroom of £65 million and non-securitised cash balances were £10 million; a £40 million private placement in place until 2024; a seasonal overdraft of £20 million from 25 January to 6 May and 1 July to 12 August each year reducing to £5 million for the remainder of each year - which was not used at the period end; a long-term securitisation of approximately £655 million - we satisfied the scheduled repayments demonstrating solid cash generation even under trading restrictions in Q1, and at the period close there is £15 million of the £120 million securitisation liquidity facility utilised; long-term other lease related borrowings of £338 million; and £378 million of IFRS 16 leases.

The securitisation is fully hedged to 2035. Additionally, the Group's mark to market position on its interest rate swaps has reduced substantially in view of interest rate rises. Other lease related borrowing is index-linked capped and collared at 1% and 4%. There are £120 million of swaps against the bank facility: £60 million is fixed at 4% until 2031 and £60 million is now fixed at 3.45% until 2029.

In the 2021 financial statements it was highlighted that the Group would require further amendments to its covenants in financial year 2022. The Group was granted the required waivers or amendments to its financial covenants across the lending banks and private placement provider; these were required due to the continued recovery from COVID-19 and the impact of Omicron in H1. The amended covenant tests were met. No securitisation waivers or amendments were required.

We continued to receive strong support from our stakeholders for amendments and worked in a collaborative approach helped by open and constructive dialogue in a period of uncertainty, which underlines the importance of good, long-term relationships with all our stakeholders, and we thank them for their continued support.

The Group is in positive discussions with its lending banks and private placement provider to agree further covenant amendments covering FY2023 before 31 December 2022; these are required due to the continued recovery from COVID-19 and impact from Omicron in H1. Given our experiences to date we are very confident of securing these where necessary. This has been disclosed as a material uncertainty in the financial statements.

In summary, we have adequate cash headroom in our bank facility to provide operational liquidity. There is also a £120 million liquidity facility in the securitisation to protect bondholders in the event of a default – this equates to 18 months of debt service payments. £15 million is currently drawn on this and is included in the above £655 million. Importantly, over 90% of our medium to long-term financing is hedged thereby minimising any exposure to interest rate increases that may arise over the next few years.

Going Concern
As part of the annual reporting process, we are formally required to assess the extent to which our forecasts and therefore our financing requirements may or may not affect our going concern assumption in preparing the accounts. In performing this assessment we have considered the Group's financial position and exposure to principal risks, including the cost-of-living crisis and the ongoing impact of COVID-19. The Group's forecasts assume moderate sales price increases, operational costs rising broadly in line with inflation and increased borrowing costs. We have also considered a severe but plausible downside scenario, incorporating reduced visits from the cost-of-living crisis.

The conclusion of this assessment was that the Directors are satisfied that the Group has adequate liquidity to withstand such a severe but plausible downside scenario. However, the Group has Debt Cover and Interest Cover covenants across its banking group and private placement provider and Liquidity and Unencumbered Asset Cover covenants only with its private placement provider; the Debt Cover, Interest Cover and Unencumbered Asset Cover covenants are forecast to be breached during FY2023 starting at the 31 December 2022 test and will require covenant amendments. In respect of the Liquidity covenant associated with the Group's £40 million private placement borrowings for the October 2022 fiscal month, there was a technical default, for which waivers have been secured. The Group also obtained prospective waivers from its private placement provider for the November and December 2022 fiscal month Liquidity covenants and further amendments to this Liquidity covenant will be required during the year. These waivers and amendments are required due to the impact of COVID-19 and the Omicron variant in H1.

The Group will continue to have regular communication with its lenders throughout this period and, on the basis of the previous waivers and covenant amendments secured and the return to pre-pandemic levels of trading during the current financial year, the Directors expect to be able to secure the future covenant amendments required, albeit this cannot be guaranteed. Accordingly, the financial statements continue to be prepared on the going concern basis but with material uncertainty arising from the current macroeconomic environment. Full details are included in Note 1.

CMBC: CMBC operates in a sector that has been disproportionately impacted by COVID-19 and as such an impairment review was undertaken under IAS 36 'Impairment of Assets'. The recoverable amount of our investment was estimated on a value in use basis. This was based on forecast cash flows approved by the board of CMBC, which were reviewed by management and CMBC's external auditors. The impairment review indicated there was sufficient headroom over the carrying amount. No reasonably possible change in the assumptions used would have resulted in an impairment – as such the recoverable amount for our investment in CMBC is not considered to involve key assumptions or significant judgements.

Market Capitalisation: Uncertainty and restricted trading during the last few years, including the pandemic and cost-of-living crisis, have negatively impacted our share price. This share price suppression, which also affects our industry peers, has resulted in a gap between our market capitalisation and asset values. The Group has performed a market capital gap analysis to determine whether an impairment of the asset values is required. The analysis showed that there is sufficient headroom between the total asset value and enterprise value such that no impairment is required.

Key estimates and significant judgements
Under IFRS the Group is required 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:

- Non-underlying items - determination of items to be classified as non-underlying.
- Property, plant, and equipment - valuation of effective freehold land and buildings.
- Retirement benefits - actuarial assumptions in respect of the defined benefit pension plan, which include discount rates, rates of increase in pensions, inflation rates and life expectancies.
- Financial instruments - valuation of derivative financial instruments.

Notes:

- *Prior period was a 52-week period to 2 October 2021.*
- *The Group uses a number of alternative performance measures (APMs) to enable management and users of the financial statements to better understand elements of financial performance in the period. APMs are explained and reconciled in the appendix to the financial statements.*

GROUP INCOME STATEMENT (UNAUDITED)

For the 52 weeks ended 1 October 2022

	2022 Underlying £m	**2022** Non-underlying[1] (note 3) £m	**2022** Total £m	2021 Underlying £m	2021 Non-underlying[1] (note 3) £m	2021 Total £m
Continuing operations						
Revenue	**799.6**	**-**	**799.6**	401.7	-	401.7
Operating expenses	**(684.2)**	**26.7**	**(657.5)**	(396.0)	(96.2)	(492.2)
Income/(loss) from associates	**3.3**	**-**	**3.3**	(14.5)	-	(14.5)
Operating profit/(loss)	**118.7**	**26.7**	**145.4**	(8.8)	(96.2)	(105.0)
Finance costs	**(91.9)**	**-**	**(91.9)**	(93.4)	(2.0)	(95.4)
Finance income	**0.9**	**0.5**	**1.4**	0.9	-	0.9
Interest rate swap movements	**-**	**109.2**	**109.2**	-	8.4	8.4
Contingent consideration fair value movement	**-**	**(0.7)**	**(0.7)**	-	20.0	20.0
Net finance (costs)/income	**(91.0)**	**109.0**	**18.0**	(92.5)	26.4	(66.1)
Profit/(loss) before taxation	**27.7**	**135.7**	**163.4**	(101.3)	(69.8)	(171.1)
Taxation	**(0.2)**	**(26.0)**	**(26.2)**	15.1	27.7	42.8
Profit/(loss) for the period from continuing operations	**27.5**	**109.7**	**137.2**	(86.2)	(42.1)	(128.3)
Discontinued operations						
Profit for the period from discontinued operations	**-**	**-**	**-**	1.7	289.4	291.1
Profit/(loss) for the period attributable to equity shareholders	**27.5**	**109.7**	**137.2**	(84.5)	247.3	162.8

The results for the current period reflect the 52 weeks ended 1 October 2022 and the results for the prior period reflect the 52 weeks ended 2 October 2021.

Earnings/(loss) per share:	**2022** p	2021 p
Basic earnings/(loss) per share		
Total	**21.7**	25.7
Continuing	**21.7**	(20.3)
Discontinued	**-**	46.0
Basic underlying earnings/(loss) per share		
Total	**4.3**	(13.4)
Continuing	**4.3**	(13.6)
Discontinued	**-**	0.3
Diluted earnings/(loss) per share		
Total	**21.4**	25.7
Continuing	**21.4**	(20.3)
Discontinued	**-**	46.0
Diluted underlying earnings/(loss) per share		
Total	**4.3**	(13.4)
Continuing	**4.3**	(13.6)
Discontinued	**-**	0.3

[1] Alternative performance measures (APMs) are defined and reconciled to a statutory equivalent in the APM section of these Preliminary Results.

GROUP STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the 52 weeks ended 1 October 2022

	2022 £m	2021 £m
Profit for the period	**137.2**	162.8
Items of other comprehensive income that may subsequently be reclassified to profit or loss		
Gains arising on cash flow hedges	**23.9**	5.9
Transfers to the income statement on cash flow hedges	**17.0**	19.7
Other comprehensive expense of associates	**(0.8)**	-
Tax on items that may subsequently be reclassified to profit or loss	**(10.2)**	1.7
	29.9	27.3
Items of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	**23.3**	17.5
Unrealised surplus on revaluation of properties	**105.8**	59.1
Reversal of past revaluation surplus	**(34.3)**	(105.0)
Tax on items that will not be reclassified to profit or loss	**(20.5)**	(12.3)
	74.3	(40.7)
Other comprehensive income/(expense) for the period	**104.2**	(13.4)
Total comprehensive income for the period attributable to equity shareholders	**241.4**	149.4

Other comprehensive income/(expense) for the current and prior period relates wholly to continuing operations.

The results for the current period reflect the 52 weeks ended 1 October 2022 and the results for the prior period reflect the 52 weeks ended 2 October 2021.

GROUP CASH FLOW STATEMENT (UNAUDITED)

For the 52 weeks ended 1 October 2022

	2022 **£m**	2021 £m
Operating activities		
Profit for the period	**137.2**	162.8
Taxation	**26.2**	(43.5)
Net finance (income)/costs	**(18.0)**	66.2
Depreciation and amortisation	**44.2**	42.7
Gain on disposal of subsidiary	**-**	(290.5)
Working capital movement	**(31.8)**	(6.4)
Non-cash movements	**(30.4)**	100.6
(Decrease)/increase in provisions and other non-current liabilities	**(7.0)**	2.3
Difference between defined benefit pension contributions paid and amounts charged	**(7.3)**	(7.0)
Dividends from associates	**19.4**	-
Income tax received	**1.5**	7.5
Net cash inflow from operating activities	**134.0**	34.7
Investing activities		
Interest received	**0.9**	0.5
Sale of property, plant and equipment and assets held for sale	**9.9**	16.2
Purchase of property, plant and equipment and intangible assets	**(70.1)**	(46.6)
Disposal of subsidiary	**28.2**	228.0
Movement in trade loans	**-**	0.1
Finance lease capital repayments received	**2.7**	1.2
Net transfer from/(to) other cash deposits	**0.2**	(1.2)
Net cash (outflow)/inflow from investing activities	**(28.2)**	198.2
Financing activities		
Interest paid	**(79.4)**	(96.3)
Swap termination costs	**-**	(19.9)
Proceeds from sale of own shares	**-**	0.1
Repayment of securitised debt	**(37.4)**	(35.4)
Advance/(repayment) of bank borrowings	**25.0**	(80.1)
Net repayments of lease liabilities	**(8.5)**	(19.8)
(Repayment)/advance of other borrowings	**(10.0)**	10.0
Net cash outflow from financing activities	**(110.3)**	(241.4)
Net decrease in cash and cash equivalents	**(4.5)**	(8.5)

The cash flows for the current period reflect the 52 weeks ended 1 October 2022 and the cash flows for the prior period reflect the 52 weeks ended 2 October 2021.

GROUP BALANCE SHEET (UNAUDITED)

As at 1 October 2022

	1 October 2022 £m	2 October 2021 £m
Non-current assets		
Intangible assets	**35.1**	36.1
Property, plant, and equipment	**2,111.0**	1,984.2
Interests in associates	**260.3**	277.4
Other non-current assets	**17.9**	15.9
Deferred tax assets	**-**	47.6
Retirement benefit surplus	**15.1**	-
Derivative financial instruments	**1.8**	-
	2,441.2	2,361.2
Current assets		
Derivative financial instruments	**3.3**	-
Inventories	**12.6**	12.9
Trade and other receivables	**30.1**	52.3
Current tax assets	**-**	1.0
Other cash deposits	**3.0**	3.2
Cash and cash equivalents	**27.7**	32.2
	76.7	101.6
Assets held for sale	**4.8**	5.1
	81.5	106.7
Current liabilities		
Borrowings	**(64.1)**	(67.5)
Trade and other payables	**(204.4)**	(220.7)
Current tax liabilities	**(1.2)**	-
Provisions for other liabilities and charges	**(1.0)**	(1.5)
	(270.7)	(289.7)
Non-current liabilities		
Borrowings	**(1,560.6)**	(1,571.8)
Derivative financial instruments	**(25.5)**	(170.5)
Other non-current liabilities	**(6.5)**	(5.5)
Provisions for other liabilities and charges	**(3.3)**	(9.6)
Deferred tax liabilities	**(8.0)**	-
Retirement benefit obligations	**-**	(14.4)
	(1,603.9)	(1,771.8)
Net assets	**648.1**	406.4
Shareholders' equity		
Equity share capital	**48.7**	48.7
Share premium account	**334.0**	334.0
Revaluation reserve	**417.1**	360.5
Capital redemption reserve	**6.8**	6.8
Hedging reserve	**(50.7)**	(81.4)
Own shares	**(110.9)**	(111.1)
Retained earnings	**3.1**	(151.1)
Total equity	**648.1**	406.4

GROUP STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the 52 weeks ended 1 October 2022

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 3 October 2021	48.7	334.0	360.5	6.8	(81.4)	(111.1)	(151.1)	406.4
Profit for the period	-	-	-	-	-	-	137.2	137.2
Remeasurement of retirement benefits	-	-	-	-	-	-	23.3	23.3
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	(5.8)	(5.8)
Gains on cash flow hedges	-	-	-	-	23.9	-	-	23.9
Transfers to the income statement on cash flow hedges	-	-	-	-	17.0	-	-	17.0
Tax on hedging reserve movements	-	-	-	-	(10.2)	-	-	(10.2)
Other comprehensive expense of associates	-	-	-	-	-	-	(0.8)	(0.8)
Property revaluation	-	-	105.8	-	-	-	-	105.8
Property impairment	-	-	(34.3)	-	-	-	-	(34.3)
Deferred tax on properties	-	-	(14.7)	-	-	-	-	(14.7)
Total comprehensive income	-	-	56.8	-	30.7	-	153.9	241.4
Share-based payments	-	-	-	-	-	-	0.5	0.5
Sale of own shares	-	-	-	-	-	0.2	(0.2)	-
Transfer disposals to retained earnings	-	-	(0.2)	-	-	-	0.2	-
Changes in equity of associates	-	-	-	-	-	-	(0.2)	(0.2)
Total transactions with owners	-	-	(0.2)	-	-	0.2	0.3	0.3
At 1 October 2022	**48.7**	**334.0**	**417.1**	**6.8**	**(50.7)**	**(110.9)**	**3.1**	**648.1**

For the 52 weeks ended 2 October 2021

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 4 October 2020	48.7	334.0	430.6	23.7	6.8	(108.7)	(111.9)	(374.3)	248.9
Profit for the period	-	-	-	-	-	-	-	162.8	162.8
Remeasurement of retirement benefits	-	-	-	-	-	-	-	17.5	17.5
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	-	(2.5)	(2.5)
Gains on cash flow hedges	-	-	-	-	-	5.9	-	-	5.9
Transfers to the income statement on cash flow hedges	-	-	-	-	-	19.7	-	-	19.7
Tax on hedging reserve movements	-	-	-	-	-	1.7	-	-	1.7
Property revaluation	-	-	59.1	-	-	-	-	-	59.1
Property impairment	-	-	(105.0)	-	-	-	-	-	(105.0)
Deferred tax on properties	-	-	(9.8)	-	-	-	-	-	(9.8)
Total comprehensive (expense)/income	-	-	(55.7)	-	-	27.3	-	177.8	149.4
Share-based payments	-	-	-	-	-	-	-	1.2	1.2
Sale of own shares	-	-	-	-	-	-	0.8	(0.7)	0.1
Transfer disposals to retained earnings	-	-	(15.1)	(23.7)	-	-	-	38.8	-
Transfer tax to retained earnings	-	-	0.7	-	-	-	-	(0.7)	-
Changes in equity of associates	-	-	-	-	-	-	-	6.8	6.8
Total transactions with owners	-	-	(14.4)	(23.7)	-	-	0.8	45.4	8.1
At 2 October 2021	**48.7**	**334.0**	**360.5**	**-**	**6.8**	**(81.4)**	**(111.1)**	**(151.1)**	**406.4**

NOTES
For the 52 weeks ended 1 October 2022

1 ACCOUNTING POLICIES

The Group's principal accounting policies are set out below:

Basis of preparation
These consolidated financial statements for the 52 weeks ended 1 October 2022 (2021: 52 weeks ended 2 October 2021) have been prepared in accordance with UK-adopted international accounting standards. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally effective freehold land and buildings, certain financial instruments, retirement benefits and share-based payments, as explained below.

Going concern
The cost-of-living crisis and the impact of COVID-19 has led to lower profit and operating cashflows than would otherwise have resulted had these macroeconomic conditions not existed. As a result of this there remains uncertainty about the future financial performance of the Group and the Company, which could cast significant doubt over the Group's ability to trade as a going concern.

The Group's sources of funding include its securitised debt, a £280.0 million bank facility available until 2024, of which £215.0 million was drawn at 1 October 2022, a £40.0 million private placement in place until 2024, and a £5.0 million seasonal overdraft facility which extends to £20.0 million from 25 January to 6 May and 1 July to 12 August each year.

There are two covenants associated with the Group's securitised debt – free cash flow to debt service coverage ratio (FCF DSCR) and Net Worth. The FCF DSCR is a measure of free cash flow to debt service for the group headed by Marston's Pubs Parent Limited and is required to be a minimum of 1.1 over both a two-quarter and four-quarter period, and the Net Worth is derived from the net assets of that group of companies.

There are two covenants associated with both the Group's bank and private placement borrowings for the non-securitised group of companies. The Debt Cover covenant is a measure of net borrowings to EBITDA (a maximum of 5.0 times from 1 October 2022, reducing on a stepped basis to 3.5 times from 1 April 2023). The Interest Cover covenant is a measure of EBITDA to finance charges, which is a minimum of 1.2 times from 1 October 2022, rising on a stepped basis to 2.0 times from 1 July 2023 for the Group's bank borrowings and 3.0 times from 1 April 2023 for the private placement borrowings. There are additional Liquidity and Unencumbered Asset Cover covenants for the Group's private placement borrowings only. The Liquidity covenant is a measure of headroom on the Group's bank and private placement borrowings, which is a minimum of £75 million on the last day of each fiscal month from 30 September 2022, increasing to £100 million from 31 January 2023. The Unencumbered Asset Cover covenant is a measure of tangible assets of the non-securitised group of companies to net borrowings, which is a minimum of 1.5 as at 1 October 2022.

The Directors have performed an assessment of going concern over the period of 12 months from the date of signing these financial statements, to assess the adequacy of the Group's financial resources. In performing their assessment, the Directors considered the Group's financial position and exposure to principal risks, including the cost-of-living crisis and the continuing impact of COVID-19. The Group's base case forecasts assume an increase in sales volumes, below inflation sales price rises, and below inflation operational cost increases as a result of the Group's gas prices being fixed until 2025 and electricity prices fixed throughout the upcoming winter. The Debt Cover and Interest Cover bank and private placement covenants, and private placement Unencumbered Asset Cover covenant, are forecast to be breached in 2023 commencing from the 31 December 2022 test date such that covenant amendments will be required for this quarter and potentially subsequent quarters in the 2023 financial year. In respect of the Liquidity covenant associated with the Group's £40 million private placement borrowings for the fiscal month ending on or about 31 October 2022, there was a technical default, for which waivers have been secured (see note 8). The Group also obtained prospective waivers from its private placement provider for the fiscal months ending on or about 30 November 2022 and 31 December 2022 Liquidity covenants and further amendments to this Liquidity covenant will be required during the year. The forecast breaches that will require further covenant amendments result from the continued recovery from COVID-19 and the impact of Omicron in H1.

The Directors have also considered a severe but plausible downside scenario, incorporating a 5% reduction in sales volumes from the cost-of-living crisis. It has been assumed that variable costs will move in line with the change in sales volumes and a further 2% price increase can be taken to mitigate some of the volume decline. The Group has identified further mitigating actions that could be taken including a deferral of an element of the planned maintenance expenditure, as well as a deferral of investment capital expenditure, in periods with lower liquidity headroom. The conclusion of this assessment was that the Directors are satisfied that the Group has adequate liquidity to withstand such a severe but plausible downside scenario. However, as above, the bank and private placement covenants are forecast to be breached in 2023 commencing from the 31 December 2022 test date; the forecast breaches that will require further amendments result from the continued recovery from COVID-19 and the impact of Omicron in H1.

On both the base case and severe but plausible downside case there is adequate headroom forecast throughout the period under review. However, as the forecasts indicate that covenants are expected to be breached within the next 12 months, the Directors have concluded that a material uncertainty over going concern exists. The Group is in negotiations with its lenders and, on the basis of the previous covenant waivers and amendments secured, and the return to pre-pandemic levels of trading during the current financial period, the Directors expect to be able to secure covenant amendments for financial year 2023 before 31 December 2022.

Considering the above, the Directors are satisfied that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of signing these financial statements. For this reason, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements. However, a material uncertainty exists, in particular with respect to the ability to achieve the required covenant amendments, which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

2 SEGMENT REPORTING

Following the disposal of the Group's brewing operations in October 2020, the Group is considered to have one operating segment under IFRS 8 'Operating Segments' and no disclosures are presented. This is in line with the reporting to the chief operating decision maker and the operational structure of the business. The measure of profit or loss reviewed by the chief operating decision maker is underlying[1] profit/(loss) before tax for the total of continuing and discontinued operations.

Geographical areas
Revenue generated outside the UK during the period was £nil (2021: £0.9 million). This related wholly to discontinued operations. All of the Group's assets are located in the UK.

3 NON-UNDERLYING[1] ITEMS

	2022 £m	2021 £m
Non-underlying[1] operating items		
Reorganisation and restructuring costs	**-**	1.0
Impairment (reversal) of freehold and leasehold properties	**(21.6)**	83.9
Past service cost in respect of Guaranteed Minimum Pension equalisation	**-**	0.5
Impact of COVID-19	**-**	10.8
VAT claims	**(5.1)**	-
	(26.7)	96.2
Non-underlying[1] non-operating items		
Net interest on net defined benefit asset/liability	**-**	0.6
Interest on VAT claims	**(0.5)**	-
COVID-19 financing costs	**-**	1.4
Interest rate swap movements	**(109.2)**	(8.4)
Contingent consideration fair value movement	**0.7**	(20.0)
	(109.0)	(26.4)
Total non-underlying[1] items for continuing operations	**(135.7)**	69.8

Reorganisation and restructuring costs
Following the disposal of the Group's brewing business, and in light of the continuing impact of the COVID-19 outbreak in the prior period, the Group undertook a central restructuring exercise in the prior period as part of a full review of its overhead costs.

Impairment of freehold and leasehold properties
At 3 July 2022 the Group's effective freehold properties were revalued by independent chartered surveyors on an open market value basis. The Group also undertook an impairment review of its leasehold properties in the current period.

The revaluation and impairment adjustments in respect of the above were recognised in the revaluation reserve or income statement as appropriate. The amount recognised in the income statement comprises:

	2022 £m	2021 £m
Impairment of property, plant and equipment	**48.2**	104.0
Reversal of past impairment of property, plant, and equipment	**(69.8)**	(22.3)
Impairment of assets held for sale	**0.3**	1.8
Reversal of impairment of assets held for sale	**(0.6)**	-
Valuation fees	**0.3**	0.4
	(21.6)	83.9

Past service cost in respect of Guaranteed Minimum Pension equalisation
On 26 October 2018 a High Court ruling indicated that Guaranteed Minimum Pensions must be equalised for men and women. On 20 November 2020 a further High Court ruling indicated that historic cash equivalent transfer values that were calculated on an unequalised basis should be topped up if an affected member makes a successful claim. This additional requirement was reflected in the calculation of the Group's net defined benefit asset/liability in the prior period and the resulting additional past service cost of £0.5 million was classified as a non-underlying[1] item in the prior period.

Impact of COVID-19
In order to mitigate the spread of COVID-19 the UK government implemented various operating restrictions in the hospitality industry, such as pub closures, reduced opening times and social distancing measures. These had a significant impact on the Group's business and its customers. Certain associated costs/charges, which primarily comprised bad debt and lease related provisions, contract penalties and stock write-offs, were classified as a non-underlying[1] item in the prior period.

VAT claims
The Group has submitted claims to HM Revenue & Customs (HMRC) in respect of the VAT treatment of gaming machines from 1 January 2006 to 31 January 2013. Following detailed information gathering to support the claims made the Group has recognised the estimated amounts receivable, including interest, in the current period.

Net interest on net defined benefit asset/liability
The net interest on the net defined benefit asset/liability in respect of the Group's defined benefit pension plan was a charge of £0.2 million (2021: £0.6 million). In the prior period this charge was recognised within non-underlying[1] items. In the current period, the Group determined that this charge no longer met the criteria to be recognised within non-underlying[1] items and the current period charge has been presented within underlying[1] items.

COVID-19 financing costs
As a result of the COVID-19 outbreak and the consequential impact on its trading ability, the Group obtained certain waivers from its lenders, primarily in respect of covenants. The costs related to this were classified as a non-underlying[1] item in the prior period.

Interest rate swap movements
The Group's interest rate swaps are revalued to fair value at each balance sheet date. For interest rate swaps which were designated as part of a hedging relationship a gain of £23.9 million (2021: £5.9 million) has been recognised in the hedging reserve in respect of the effective portion of the fair value movement and £6.2 million (2021: £7.2 million) has been reclassified from the hedging reserve to underlying finance costs in the income statement in respect of the cash paid in the period. The ineffective portion of the fair value movement has been recognised within the income statement. The cash paid of £1.5 million (2021: £1.6 million) has been recognised within underlying finance costs to ensure that underlying finance costs reflect the resulting fixed rate paid on the associated debt. The remainder of the ineffective portion of the fair value movement, a gain of £0.2 million (2021: loss of £0.8 million), has been recognised within non-underlying[1] items. In addition, £10.8 million (2021: £12.5 million) of the balance

remaining in the hedging reserve in respect of discontinued cash flow hedges has been reclassified to the income statement within non-underlying[1] items.

For interest rate swaps which were not designated as part of a hedging relationship the fair value movement has been recognised within the income statement. The cash paid of £8.6 million (2021: £11.6 million) has been recognised within underlying finance costs to ensure that underlying finance costs reflect the resulting fixed rate paid on the associated debt. The remainder of the fair value movement, a gain of £119.8 million (2021: £24.0 million), equal to the change in the carrying value of the interest rate swaps in the period has been recognised within non-underlying[1] items.

The Group terminated one of its interest rate swaps in the prior period resulting in a loss of £2.3 million which was recognised within non-underlying[1] items.

Contingent consideration fair value movement
The contingent consideration on the disposal of Marston's Beer Company Limited was initially recognised at its fair value at the date of disposal and was subsequently remeasured at its fair value at 2 October 2021 and the date of settlement during the current period. The movement in fair value has been recognised within non-underlying[1] items.

Impact of taxation
The current tax charge relating to the above non-underlying[1] items amounts to £1.4 million (2021: £nil). The deferred tax charge relating to the above non-underlying[1] items amounts to £24.6 million (2021: credit of £7.9 million). In addition, there is a non-underlying[1] deferred tax credit of £nil (2021: £19.8 million) in relation to the change in corporation tax rate.

4 TAXATION

Income statement	2022 £m	2021 £m
Current tax		
Current period	**0.2**	-
Adjustments in respect of prior periods	**(0.3)**	(0.5)
Charge in respect of tax on non-underlying[1] items	**1.4**	-
	1.3	(0.5)
Deferred tax		
Current period	**0.1**	(14.6)
Adjustments in respect of prior periods	**0.2**	-
Charge/(credit) in respect of tax on non-underlying[1] items	**24.6**	(7.9)
Non-underlying[1] credit in relation to the change in tax rate	**-**	(19.8)
	24.9	(42.3)
Taxation charge/(credit) for continuing operations reported in the income statement	**26.2**	(42.8)

Statement of comprehensive income	2022 £m	2021 £m
Remeasurement of retirement benefits	**5.8**	2.5
Impairment and revaluation of properties	**14.7**	9.8
Hedging reserve movements	**10.2**	(1.7)
Taxation charge reported in the statement of comprehensive income	**30.7**	10.6

A deferred tax charge of £nil (2021: £8.4 million) relating to the change in corporation tax rate has been recognised in the statement of comprehensive income and is included in the above amounts.

The actual tax rate for the period is lower (2021: higher) than the standard rate of corporation tax of 19% (2021: 19%). The differences are explained below:

Tax reconciliation	2022 £m	2021 £m
Profit/(loss) before tax from continuing operations	**163.4**	(171.1)
Profit/(loss) before tax multiplied by the corporation tax rate of 19% (2021: 19%)	**31.0**	(32.5)
Effect of:		
Adjustments in respect of prior periods	**(0.1)**	(0.5)
Change in deferred tax asset not recognised	**(8.5)**	9.0
Net deferred tax credit in respect of land and buildings	**(1.8)**	(2.6)
Costs not deductible for tax purposes	**-**	0.8
Share of (income)/loss of associate	**(0.6)**	2.8
Other amounts on which tax relief is available	**(2.4)**	-
Difference between deferred and current tax rates	**8.6**	-
Impact of change in tax rate	**-**	(19.8)
Taxation charge/(credit) for continuing operations	**26.2**	(42.8)

The March 2021 Budget announced that the main rate of corporation tax would change from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly. The deferred tax assets and liabilities at 1 October 2022 have been calculated at 25% (2021: 25%).

5 EARNINGS PER ORDINARY SHARE

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

For diluted earnings/(loss) 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[1] earnings/(loss) per share figures are presented to exclude the effect of non-underlying[1] items. The Directors consider that the supplementary figures are a useful indicator of performance.

	2022		2021	
	Earnings £m	**Per share amount p**	Earnings £m	Per share amount p
Basic earnings/(loss) per share				
Total	**137.2**	**21.7**	162.8	25.7
Continuing	**137.2**	**21.7**	(128.3)	(20.3)
Discontinued	**-**	**-**	291.1	46.0
Diluted earnings/(loss) per share				
Total	**137.2**	**21.4**	162.8	25.7
Continuing	**137.2**	**21.4**	(128.3)	(20.3)
Discontinued	**-**	**-**	291.1	46.0
Underlying[1] earnings/(loss) per share figures				
Basic underlying[1] earnings/(loss) per share				
Total	**27.5**	**4.3**	(84.5)	(13.4)
Continuing	**27.5**	**4.3**	(86.2)	(13.6)
Discontinued	**-**	**-**	1.7	0.3
Diluted underlying[1] earnings/(loss) per share				
Total	**27.5**	**4.3**	(84.5)	(13.4)
Continuing	**27.5**	**4.3**	(86.2)	(13.6)
Discontinued	**-**	**-**	1.7	0.3

	2022 m	2021 m
Basic weighted average number of shares	**633.1**	632.8
Dilutive potential ordinary shares	**9.4**	-
Diluted weighted average number of shares	**642.5**	632.8

In the prior period in accordance with IAS 33 'Earnings per Share' the potential ordinary shares were not dilutive as their inclusion would reduce the loss per share for continuing operations.

6 NET DEBT

Analysis of net debt	**2022 £m**	2021 £m
Cash and cash equivalents		
Cash at bank and in hand	**27.7**	32.2
	27.7	32.2
Financial assets		
Other cash deposits	**3.0**	3.2
	3.0	3.2
Debt due within one year		
Bank borrowings	**0.7**	0.7
Securitised debt	**(39.0)**	(36.9)
Lease liabilities	**(11.2)**	(6.7)
Other lease related borrowings	**0.4**	0.4
Other borrowings	**(15.0)**	(25.0)
	(64.1)	(67.5)
Debt due after one year		
Bank borrowings	**(214.6)**	(188.9)
Securitised debt	**(601.3)**	(640.3)
Lease liabilities	**(366.6)**	(364.9)
Other lease related borrowings	**(338.0)**	(337.6)
Other borrowings	**(40.0)**	(40.0)
Preference shares	**(0.1)**	(0.1)
	(1,560.6)	(1,571.8)
Net debt	**(1,594.0)**	(1,603.9)

Other cash deposits comprises deposits securing letters of credit for reinsurance contracts. Included within cash and cash equivalents is an amount of £5.6 million (2021: £5.6 million) relating to collateral held in the form of cash deposits. These amounts are both considered to be restricted cash. In addition, any other cash held in connection with the securitised business is governed by certain restrictions under the covenants associated with the securitisation.

Reconciliation of net cash flow to movement in net debt	**2022 £m**	2021 £m
Decrease in cash and cash equivalents in the period	**(4.5)**	(8.5)
(Decrease)/increase in other cash deposits	**(0.2)**	1.2
Disposals	**-**	0.1
Cash outflow from movement in debt	**30.9**	125.3
Net cash inflow	**26.2**	118.1
Non-cash movements and deferred issue costs	**(16.3)**	(88.9)
Disposals and classified as held for sale	**-**	(0.1)
Movement in net debt in the period	**9.9**	29.1
Net debt at beginning of the period	**(1,603.9)**	(1,633.0)
Net debt at end of the period	**(1,594.0)**	(1,603.9)

	2022 £m	2021 £m
Net debt excluding lease liabilities	**(1,216.2)**	(1,232.3)
Lease liabilities	**(377.8)**	(371.6)
Net debt	**(1,594.0)**	(1,603.9)

Changes in liabilities arising from financing activities are as follows:

	2022			2021		
	Borrowings £m	**Derivative financial instruments £m**	**Total financing liabilities £m**	Borrowings £m	Derivative financial instruments £m	Total financing liabilities £m
At beginning of the period	**(1,639.3)**	**(170.5)**	**(1,809.8)**	(1,675.6)	(224.4)	(1,900.0)
Cash flow	**30.9**	**16.3**	**47.2**	125.3	40.3	165.6
Changes in fair value	**-**	**133.8**	**133.8**	-	15.9	15.9
Other changes	**(16.3)**	**-**	**(16.3)**	(89.0)	(2.3)	(91.3)
At end of the period	**(1,624.7)**	**(20.4)**	**(1,645.1)**	(1,639.3)	(170.5)	(1,809.8)

7 ORDINARY DIVIDENDS ON EQUITY SHARES

No dividends were paid during the current or prior period. A final dividend for 2022 has not been proposed.

8 POST BALANCE SHEET EVENTS

In respect of the Liquidity covenant associated with the Group's £40 million private placement borrowings for the fiscal month ending on or about 31 October 2022, there was a technical default, for which waivers have been secured. The Group received the waivers required from its bank and private placement lenders. This Liquidity covenant required the Group's total Liquidity headroom to be no less than £75 million. The Group also obtained prospective waivers from its private placement provider for the fiscal months ending on or about 30 November 2022 and 31 December 2022 Liquidity covenants during November 2022; required as a result of the continued recovery from COVID-19 and the impact of Omicron in H1 2022. The terms of the Group's bank and private placement borrowings remain unchanged.

Notes:

(a) The financial information contained in this preliminary announcement does not constitute the Group's statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information has been extracted from the statutory accounts of the Group for the 52 weeks ended 1 October 2022, which will be filed with the Registrar of Companies in due course. The statutory accounts for the 52 weeks ended 2 October 2021 have been delivered to the Registrar of Companies.

(b) The Annual Report and Accounts for the 52 weeks ended 1 October 2022 will be posted to shareholders on 21 December 2022. The Annual Report and Accounts will be available to be downloaded from the Marston's PLC website: www.marstonspubs.co.uk. Alternatively, copies will be obtainable from the Group General Counsel & Company Secretary, Marston's PLC, Marston's House, Brewery Road, Wolverhampton, WV1 4JT

ALTERNATIVE PERFORMANCE MEASURES (APMs)

In addition to statutory financial measures, these full year results include financial measures that are not defined or recognised under IFRS or FRS 102, all of which the Group considers to be alternative performance measures (APMs). APMs should not be regarded as a complete picture of the Group's financial performance, which the Group presents within its total statutory results.

The APMs are used by the Directors to analyse operational and financial performance and track the Group's progress against long-term strategic plans. The APMs provide additional information to investors and other external shareholders to enhance their understanding of the Group's results and comparison with industry peers.

Capital expenditure
Capital expenditure is the cost of acquiring and maintaining fixed assets, comprising both maintenance and investment expenditure. It is a measure by which the Group and interested stakeholders assess the level of investment in the estate to maintain the Group's profit. Capital expenditure is the purchase of property, plant and equipment as presented directly within the Group cash flow statement.

Free cash flow (FCF)
FCF represents the net cash inflow from operating activities, adjusted for cash movements on interest, and proceeds from the sale of own shares. The Group uses FCF to determine bonus outcomes for Directors' remuneration.

	Statutory reference	**2022 £m**	2021 £m
Net cash inflow from operating activities	Cash flow statement	**134.0**	34.7
Interest received	Cash flow statement	**0.9**	0.5
Interest paid	Cash flow statement	**(79.4)**	(96.3)
Proceeds from sale of own shares	Cash flow statement	**-**	0.1
Free cash flow		**55.5**	(61.0)

Like-for-like (LFL) sales
LFL sales reflect sales for all pubs that were trading in the two periods being compared expressed as a percentage, excluding those pubs that have changed format between tenanted and leased and the rest of the estate. The inclusion of a pub within LFL sales is considered on a daily basis and a pub is included within LFL sales for the specific days within the two periods being compared where it meets the definition of LFL. A site is considered fully open for trading if it generated more than £100 per day. Current period comparisons have been made against FY2019, being the relevant pre-COVID comparator period, and therefore LFL sales excludes the results of the SA Brain pubs.

LFL sales is a widely used industry measure which provides better insight into the trading performance of the Group as total revenue is impacted by acquisitions, disposals, and investment into the estate through conversions and refurbishments.

	Statutory reference	**52 weeks to 1 October 2022 £m**	52 weeks to 28 September 2019 £m	LFL %
LFL retail sales		**630.6**	639.2	(1)
Non-LFL retail sales		**103.5**	61.7	
Retail sales		**734.1**	700.9	
Non-EPOS outlet sales		**23.1**	21.9	
Outlet sales	Note 3	**757.2**	722.8	

	10 weeks to 1 October 2022 £m	10 weeks to 28 September 2019 £m	LFL %
LFL retail sales	137.9	133.8	3
Non-LFL retail sales	16.7	10.6	
Retail sales	154.6	144.4	

	10 weeks to 1 October 2022 £m	10 weeks to 2 October 2021 £m	LFL %
LFL retail sales	137.9	132.3	4
Non-LFL retail sales	16.7	13.1	
Retail sales	154.6	145.4	

Net asset value (NAV) per share
NAV per share is the value of net assets of the Group, divided by the number of shares outstanding.

	Statutory reference	**2022 £m**	2021 £m
Net assets	Balance Sheet	**648.1**	406.4
Basic weighted average number of shares	Note 5	**633.1**	632.8
NAV per share		**1.02**	0.64

Net cash flow (NCF)
NCF is the decrease in cash and cash equivalents in the period, adjusted for movements in other cash deposits, cash disposed of, and the cash movement in debt. NCF is used by the Group to determine targets for LTIP awards.

	Statutory reference	**2022 £m**	2021 £m
Decrease in cash and cash equivalents	Cash Flow Statement	**(4.5)**	(8.5)
(Decrease)/increase in other cash deposits	Cash Flow Statement	**(0.2)**	1.2
Disposals	Note 30	**-**	0.1
Cash outflow from movement in debt	Note 30	**30.9**	125.3
Net cash flow		**26.2**	118.1

Net debt
Net debt is defined as the sum of cash and cash equivalents and other cash deposits, less total borrowings, at the balance sheet date. Net debt is presented excluding lease liabilities as the target for the Group's 'Back to a billion' corporate goal is to reduce net debt excluding lease liabilities to below £1 billion.

	Statutory reference	**2022 £m**	2021 £m
Decrease in cash and cash equivalents in the period	Cash flow statement	**(4.5)**	(8.5)
(Decrease)/increase in other cash deposits	Cash flow statement	**(0.2)**	1.2
Disposals	Note 30	**-**	0.1
Cash outflow from movement in debt excluding lease liabilities		**22.4**	105.5
Net cash inflow		**17.7**	98.3
Disposals and classified as held for sale	Note 30	**-**	(0.1)
Non-cash movements and deferred issue costs		**(1.6)**	(1.6)
Movement in net debt excluding lease liabilities in the period		**16.1**	96.6
Net debt excluding lease liabilities at beginning of the period	Note 30	**(1,232.3)**	(1,328.9)
Net debt excluding lease liabilities at end of the period	Note 30	**(1,216.2)**	(1,232.3)

Non-underlying
Non-underlying items are presented separately on the face of the income statement and are defined as those items of income and expense which, because of the materiality, nature and/or expected infrequency of the events giving rise to them, merit separate presentation to enable users of the financial statements to better understand elements of financial performance in the period, so as to facilitate comparison with future and prior periods. As management of the freehold and leasehold property estate is an essential and significant area of the business, the threshold for classification of property related items as non-underlying is higher than other items.

Underlying results should not be regarded as a complete picture of the Group's financial performance as they exclude specific items of income and expense. The full Group financial performance is presented within its total statutory results.

Operating profit/(loss)
Operating profit/(loss) is total revenue less operating expenses, plus the share of results from associates. Operating profit/(loss) is presented directly on the Group income statement. It is not defined in IFRS, however it is a generally accepted profit measure. 'Pub operating profit/(loss)' excludes the share of results from associates.

Outlet sales
Outlet sales represents all revenue that is generated at our managed and franchise pubs, which includes food, drink, accommodation, and gaming machine income.

Profit/(loss) before tax
Profit/(loss) before tax is profit for the period for continuing operations presented before the tax charge for the period. Profit/(loss) before tax is presented directly on the Group income statement. It is not defined in IFRS, however is a generally accepted profit measure.

Retail sales
Retail sales represents all revenue that is generated through the Group's EPOS (electronic point of sale) till systems in our managed and franchise pubs, which includes food, drink, and accommodation sales.

Underlying earnings before interest, tax, depreciation, and amortisation (EBITDA)
Underlying EBITDA is the earnings before interest, tax, depreciation, and amortisation, adjusted for non-underlying items. The Directors regularly use underlying EBITDA as a key performance measure in assessing the Group's profitability. The measure is considered useful to users of the financial statements as it is a widely used industry measure which allows comparison to peers, comparison of performance across periods, and is used to determine bonus outcomes for Directors' remuneration.

	Statutory reference	**2022 £m**	2021* £m
Operating profit/(loss)	Income statement, Note 8	**145.4**	(105.0)
Non-underlying operating items	Note 4, 8	**(26.7)**	97.6
Depreciation and amortisation	Cash flow statement	**44.2**	42.7
Underlying EBITDA including income/(loss) from associates		**162.9**	35.3
(Income)/loss from associate	Income statement	**(3.3)**	14.5
Underlying EBITDA excluding income/(loss) from associates		**159.6**	49.8

* 2021 underlying EBITDA comparatives include the results of discontinued operations.

Underlying operating margin

Underlying operating margin is the percentage of operating profit, before non-underlying items, against total revenue.

	Statutory reference	**2022** **£m**	2021 £m
Operating profit/(loss) from continuing operations	Income Statement	**145.4**	(105.0)
(Income)/loss from associates	Income Statement	**(3.3)**	14.5
Non-underlying operating items	Note 4	**(26.7)**	96.2
Underlying operating profit excluding income/(loss) from associates ('pub operating profit')	Income Statement	**115.4**	5.7
Total revenue	Note 3	**799.6**	401.7
Underlying operating margin		**14.4%**	1.4%

	26 weeks to 2 April 2022 £m	26 weeks to 1 October 2022 £m	**52 weeks to 1 October 2022** **£m**
Operating profit from continuing operations	43.9	101.5	**145.4**
Loss/(income) from associates	2.0	(5.3)	**3.3**
Non-underlying operating items	6.0	20.7	**(26.7)**
Underlying operating profit excluding income/(loss) from associates ('pub operating profit')	39.9	75.5	**115.4**
Total revenue	369.7	429.9	**799.6**
Underlying operating margin	10.8%	17.6%	**14.4%**

Wholesale sales

Wholesale sales represents revenue generated from our tenanted and leased pubs.

Year

The current year refers to the 52 week period ended 1 October 2022. The prior year refers to the 52 week period ended 2 October 2021.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MARSTON'S PLC ON THE PRELIMINARY ANNOUNCEMENT OF MARSTON'S PLC

As the independent auditor of Marston's PLC we are required by UK Listing Rule LR 9.7A.1 (2) R17 to agree to the publication of Marston's PLC's preliminary statement of annual results for the period ended 1 October 2022.

The preliminary statement of annual results for the period ended 1 October 2022 includes Group Overview, Performance and Financial Review, Group Income Statement, Group Statement of Comprehensive Income, Group Cash Flow Statement, Group Balance Sheet, Group Statement of Changes in Equity, certain explanatory notes to the financial statements and certain disclosures required by the Listing rules. We are not required to agree to the publication of presentations to analysts.

The Directors of Marston's PLC are responsible for the preparation, presentation and publication of the preliminary statement of annual results in accordance with the UK Listing Rules.

We are responsible for agreeing to the publication of the preliminary statement of annual results, having regard to the Financial Reporting Council's Bulletin "The Auditor's Association with Preliminary Announcements made in accordance with the requirements of the UK Listing Rules".

Status of our audit of the financial statements

We are not in a position to sign our auditor's report on the annual financial statements of Marston's PLC as they have not yet been approved by the Directors as our procedures are not yet complete. In accordance with the FRC's Bulletin "The Auditor's Association with Preliminary Announcements made in accordance with the requirements of the UK Listing Rules" our audit is complete to an advanced stage, except for completing the subsequent events review and obtaining final signed written representations from Directors. Consequently there can be no absolute certainty that we will be in a position to issue an unqualified audit report on financial statements consistent with the results and financial position reported in the preliminary announcement. However, at the present time, we are not aware of any matters that may give rise to a qualification to our report.