2nd December 2010

MARSTON'S PLC

PRELIMINARY RESULTS FOR THE PERIOD ENDED 2 OCTOBER 2010

FINANCIAL HIGHLIGHTS

- Group revenue up 0.9% to £650.7 million (2009: £645.1 million)
- Underlying profit before tax of £73.5 million up 4.6% (2009: £70.3 million)
- Marston's Inns and Taverns like-for-like sales up 1.7% with underlying operating margins up 1% and average profit per pub up 10%
- Marston's Pub Company operating profit down 3.7% with trends improving through the year
- Marston's Beer Company revenue up 4.5% and operating profit up 1.3%
- Net debt down by £17.1 million to £1,082.2 million
- Earnings per share and final dividend
    - Underlying earnings per share of 10.0 pence per share
    - Final dividend of 3.7 pence per share, in line with last year

STRATEGY HIGHLIGHTS

- **Managed pub development -** 15 new-build pubs completed with performance ahead of target; on track to complete next 20 new-build sites in 2011
- **The 'F-Plan' -** Food now represents 40% of sales; over 24 million meals sold in managed pubs, up 5% on last year, at an average spend of £6
- **Tenanted and leased pub development -** Retail Agreement implemented in 104 pubs with profit uplift in line with targets; on track to roll out a further 200 Agreements in 2011.
- **'Localness' and premium ale strategy -** Premium ale volumes up by 3%; premium ale brands now representing 61% of our ale portfolio; maintained position as market leader in the premium ale market
- New Board structure from 2nd October 2011

CURRENT TRADING – 8 WEEKS TO 27 NOVEMBER

- Managed like-for-like (lfl) sales up 3.0% including lfl food sales up 5.8% and lfl wet sales up 1.7%
- Tenanted and leased like-for-like profits estimated to be down 1.5%, profit per pub level
- Own-brewed volumes ahead of last year, in line with our expectations

Commenting, Ralph Findlay, Chief Executive, said:

"We have adapted well to market conditions and trends. We are benefiting from our focused, differentiated strategy as demonstrated by our robust results in 2010 and a strong start to the new financial year. Our plans are affordable, deliverable, and target sustainable growth and strong returns in the future."

ENQUIRIES:

Marston's PLC
Ralph Findlay, Chief Executive
Andrew Andrea, Group Finance Director
Tel: 020 7796 4133 on Thursday 2 December 2010 only
01902 329516 thereafter

Hudson Sandler
Andrew Hayes/Andrew Leach /
Kate Hough
Tel: 020 7796 4133

NOTES TO EDITORS

Marston's PLC operates pubs and bars situated across England and Wales and is the UK's leading brewer of premium cask ales, including Marston's Pedigree, Wychwood Hobgoblin, Jennings Cumberland Ale, Brakspear Oxford Gold and Ringwood Old Thumper. Other popular beers include Banks's and Mansfield.

- The estate comprises 1,663 tenanted or leased pubs, and 485 managed pubs including Marston's Tavern Table, Two for One and Pitcher & Piano.
- Marston's employs over 12,000 people throughout England and Wales.

GROUP OVERVIEW

Our results demonstrate the benefits of the successful implementation of our strategy with growth in revenue and earnings; an increase in return on capital compared to 2009, and reduced net debt.

Revenue was 0.9% up on last year, with improving trends in all three of our trading divisions. Operating margin is 0.1% up on last year as a result of tight cost control and the disposal of low margin leasehold assets. Underlying operating profit increased by 0.9% to £148.7 million with underlying profit before tax of £73.5 million (2009: £70.3 million) up 4.6% and underlying earnings per share were 10.0 pence per share (2009: 13.4 pence per share).

These results have been achieved over a challenging period for the sector and demonstrate the competitive advantage of operating high quality pubs able to meet changing consumer demands.

In each of our trading divisions, our target is to outperform the market. In implementing our strategy, our objectives are: sustainable growth; increased return on capital; and lower gearing ratios. Our focus will remain on providing good service; offering value for money; attractive, well positioned pubs; choice of regional beers; and the careful control of costs.

In 2010 we have made good progress in executing the key operational components of our strategy, providing a strong basis for future development.

Managed pub development. The performance of the 15 pub-restaurants that opened in 2010 has been very encouraging, with average turnover of £25k per week well above our target of £20k per week. The food sales mix in these pubs is around 60%. Profitability is also ahead of target producing an estimated annual return on capital of around 17%, representing an effective acquisition multiple of below 6x EBITDA. It is our current intention to build 20 similar pub-restaurants in 2011, and 25 pubs each year thereafter.

The ‘F-Plan.’ The operational focus which underpins organic development in our managed pubs is based on the ‘F-Plan’ – food, families, females and forty/fifty somethings – which we designed five years ago to recognise longer-term market trends including growth in the eating-out market, the smoking ban and demographic trends. Over five years, the implementation of the ‘F-Plan’ has contributed to food sales mix increasing from 28% to 40% and a 71% increase in meals served each year to over 24 million.

Tenanted and leased pub development. The results from the 104 pubs which have adopted the Retail Agreement in 2009 and 2010 have been encouraging, with post- conversion operating profit up by approximately £1 million compared to last year demonstrating the turnaround in performance achieved in these pubs. Capital investment in these 104 pubs in 2010 was £6 million; we plan to invest around £10 million in a further 200 sites during 2011, with another 300 sites to be converted by 2013. The targeted profit improvement from all 600 pubs is around £6 million per year from 2013, representing a return on incremental capital expenditure of 20%.

‘Localness’ and premium ale strategy contributes to outperformance in beer. We achieved growth in both turnover and profit in a UK beer market down by around 7%. Our strategy for beer is differentiated and based upon two key principles: increasing consumer demand for premium ales, both cask and bottled; and providing choice in beers with provenance. We offer a range of 60 different beers from our Marston’s, Banks’s, Jennings, Ringwood and Wychwood breweries.

Divisional changes to target 'best in class' customer service. The development of Retail Agreements has increased the extent to which market insight, best practice and resources are shared between our two pub divisions. As a consequence of the further development of Retail Agreements outlined above we expect that this process will continue, and we therefore plan to make certain changes to our divisional operations.

From 2nd October 2011 Marston's Inns and Taverns will take on the development and management of Retail Agreements. By 2013, Marston's Inns and Taverns will be in a position to develop consistent retail offers to consumers directly across approximately 1,100 pubs.

With Retail Agreements managed by Marston's Inns and Taverns, Marston's Pub Company will operate around 1,000 pubs under longer term lease agreements. The focus of management will be to continue to improve customer service and support so that our licensees are better placed to develop their own businesses and to respond to market trends. During 2010 we combined certain areas of commercial support and developed shared business initiatives between Marston's Pub Company and Marston's Beer Company, recognising that many of the challenges faced by lessees are identical to those of independent operators. These initiatives contributed to improved performance in both divisions, and we therefore plan to extend this philosophy by bringing the management of our leased pubs and independent pub customers together from 2nd October 2011.

Through implementing these plans we aim to have a consistent and clear focus on consumers visiting our managed and Retail Agreement pubs, and on supporting leasehold and independent customers in developing their businesses. In summary, our objective is to promote 'best in class' service to our consumers and to our customers.

Board. The implementation of the plans described above will also be accompanied by changes to the responsibilities of certain Board directors.

From 2nd October 2011:

- It is intended that the Executive Directors of the Company be reduced from five to three: Ralph Findlay, Chief Executive; Alistair Darby (currently Managing Director of Marston's Pub Company), who will become Chief Operating Officer; and Andrew Andrea, Finance Director.

- Derek Andrew, Managing Director of Marston's Inns and Taverns, will stand down from the Company having given 30 years of excellent service. However, we are delighted that he will be retained as an external advisor to maintain the momentum of the new site acquisition programme.

- Peter Dalzell, who is currently Operations Director, Marston's Pub Company, and previously Operations Director, Marston's Inns and Taverns will succeed Derek as Managing Director of Marston's Inns and Taverns and will report to Alistair Darby.

- Stephen Oliver, Managing Director of Marston's Beer Company, will also be responsible for Marston's Pub Company and will report to Alistair Darby as Managing Director of both businesses.

On 1st September 2010 Robin Rowland, Chief Executive of YO! Sushi! joined the Company as a Non-executive Director; his extensive background in food retailing is welcome as we continue to develop the 'F-Plan'.

Dividend. The proposed final dividend of 3.70 pence per share is the same as last year and will give a total dividend for the period of 5.80 pence per share, compared to 7.14 pence per share in the prior period.

Current trading. We have seen an encouraging start to the year. In Marston's Inns and Taverns, like-for-like sales increased by 3.0% in the eight weeks ended 27th November, with food sales growth of 5.8%, and wet sales improving by 1.7%. In Marston's Pub Company, in the eight weeks to 27th November, profits were down by an estimated 1.5% compared to last year, and profit per pub was in line with last year. In Marston's Beer Company, own-brewed volume is ahead of last year and in line with our expectations.

BUSINESS REVIEW

MARSTON'S INNS AND TAVERNS

Performance

As at 2nd October 2010, our managed estate comprised of 489 pubs.

Total revenue increased by 1.6% to £373.8 million reflecting principally the opening of 15 new-build pub-restaurants during the year, offset slightly by the disposal of 17 low margin leasehold sites. Underlying operating profit of £65.1 million (2009: £60.3 million) was up 8.0%. The average annual profit per pub increased by 10% from £120k to £132k.

Total like-for-like sales were 1.7% above last year, with like-for-like food sales up by 2.5% and like-for-like wet sales up 1.4%. Our performance has remained robust despite the difficult economic climate, and was achieved through the continuing implementation of the 'F-Plan' and consistent focus on value for money and service and on the quality of our pubs.

The 'F-Plan' has been at the heart of our operational development over the last five years, with the increased importance of our food offers reflected in food sales now accounting for 40% (2009: 39%) of sales. We estimate that, for around 70% of our customers, dining is the primary reason for visiting our pubs.

Our value-for-money offers, combined with good service and attractive pubs, have proved popular. Average spend per head on food remains at around £6 demonstrating that our offers are affordable even in the current difficult economic environment. This is further illustrated by the fact that our strongest performance came from our 217 high-quality destination pub-restaurants operating under trading formats such as 'Two for One' and 'Milestone'. Everyday value offers including '2 meals for £10' and carvery meals also continue to be successful. Our like-for-like sales growth in food reflects volume and footfall growth rather than higher prices. The growth in wet sales represents a good performance compared to the poor UK on-trade market, which fell by around 7%. We have seen improving trends in all drinks categories, and in particular increased sales of our own cask ales – including premium cask ale growth of 6% - building on the strong growth achieved last year.

We achieved a 1.0% improvement in operating margin primarily through lower food and utility costs and tight labour cost control. We expect only modest cost inflation in 2011 as a consequence of the majority of our supply contracts being at fixed prices. In addition, we disposed of 17 non-core low margin leasehold sites.

Capital investment included £31 million in new-build pub-restaurants and £22 million in the existing estate including major refurbishments of 21 pubs.

New-build development programme

Our new-build programme is a key driver of growth for Marston's Inns and Taverns, and for the Group as a whole. As previously highlighted, we opened 15 new pubs in 2010 and expect to increase the rate of development to 20 in 2011 and 25 in 2012 – a £140 million investment plan over three years. We expect to open 25 new sites each year thereafter. The attractions of investing in these well situated pub-restaurants include:

- **Increased exposure to the growing demand for eating outside the home**: it is estimated that the UK eating-out market has doubled over the last 20 years and we expect growth to continue in the future.

- **Hand-picked sites in busy locations such as retail parks**: over the last 18 months we have been able to take advantage of reduced competitor activity to acquire prime sites at lower costs compared to previous years.

- **Sustainable high returns on investment**: the current trend for both revenue and returns is ahead of our targets, and the post-investment like-for-like sales performance of those pub-restaurants opened over the last five years is above the average for the division.

MARSTON'S PUB COMPANY

Performance

As at 2nd October 2010, the tenanted and leased pub estate comprised 1,664 pubs.

Total revenue decreased by 2.8% to £170.8 million reflecting lower volumes of beer, wines and spirits sold to tenants and lessees. The performance of the UK tenanted and leased pub sector has been weak, with overall volumes across the sector estimated to be down by around 7%. Underlying operating profit was £78.8 million, a reduction of 3.7% with the rate of decline improving throughout the year. Average profit per pub reduced by 2.1% from £48k to £47k.

Many of our tenanted and leased operators have adapted successfully to capitalise on longer-term market trends. This is evident from the fact that profits from the 86% of our tenanted and leased pubs, let on substantive agreements, generated profit growth in 2010 despite the poor performance of the market overall. Our long-held approach to fair rents, sustainability, transparency and a fair share of risks and rewards remains at the heart of our relationship with our licensees.

Operating margin for the division was 0.4% lower at 46.1%, primarily due to the development of Retail Agreements. Capital investment in 2010 was £22 million including around £6 million in Retail Agreement pubs. Our expenditure on maintenance capital, £13 million, was consistent with previous years and reflects our objective to maintain the estate to a high quality.

Development of pub estate

Although many operators of tenanted and leased pubs have responded well to significant regulatory and market pressures including taxation, increased price competition, market trends such as the increasing importance of food sales and the effects of the weak UK economy, a significant minority have not.

We believe that these trends will continue for the foreseeable future and, as indicated in the Interim Results, we have begun to implement plans to make significant changes to the operation of our tenanted and leased estate as described below.

1. Over the next three years, we expect to increase the number of pubs being operated under the Retail Agreement to around 600. The Retail Agreement is a 'franchise-style' arrangement. Marston's shares responsibility for the consumer proposition in partnership with the self-employed retailer, utilising the expertise, systems and resources of our managed pub infrastructure within Marston's Inns and Taverns.

   As a consequence we aim to realise a number of benefits as follows:

   - Sustained increase in revenue and volume;
   - Increased profitability – a targeted annual profit improvement of £10k per pub;
   - Improved retailer stability;
   - Better qualified retailers; and
   - Improved consumer appeal and competitive position for the pub.

   In rolling out the Retail Agreement we expect to invest around £50k per pub.

2. Approximately 1,000 pubs will continue to be operated under longer-term lease agreements which include agreements that offer licensees the opportunity to buy beer, wines and spirits at the same prices available to our free trade customers, and a genuine free of tie option.

3. We anticipate the disposal of around 60 pubs from the estate over the next 18 months.

In 2010 we combined a number of commercial support teams from Marston's Beer Company and Marston's Pub Company, recognising that many of the challenges and opportunities are similar for tenants and lessees, and independent operators. This has helped us to be more effective in deploying promotions, offering training courses for licensees, and in identifying opportunities for licensees to cut a range of costs by exploiting Marston's buying power, including those for food, energy and consumables.

We also launched our new accredited Code of Conduct in response to the recommendations of the Business Innovation and Skills Committee inquiry. This Code will increase the transparency of our agreements and provide a greater understanding of the rent setting process. We anticipate that it will also contribute to the success of our licensees and increase licensee stability and tenure.

MARSTON'S BEER COMPANY

Performance

We own a wide range of genuinely local beer brands supported by local marketing, high levels of service and in-house distribution. Our access to national distribution through our owned pubs and free trade customers offers us a genuine competitive advantage.

Our focus on premium ale has driven significant progress in our market share in these segments, with our share in premium cask ale growing by 7% to 23% since 2005, and our market share of bottled ale more than doubling to 25% over the same period. Approximately 72% of our own-brewed beers are sold to third parties.

Total revenue increased by 4.5% to £106.1 million. Underlying operating profit increased by 1.3% to £16.2 million.

Our strategy to focus on premium ale and 'localness' helped increase premium ale volumes - up by 3%. Premium ale brands now represent 61% of our ale volume. Local brand volume performance has also been strong, with Ringwood beers up 16%; Wychwood up 5%; and Jennings up 13% despite the significant disruption to brewing operations following the Cockermouth flood in November 2009. This has primarily been achieved through growth in sales to the independent free trade and to supermarkets, although we have made progress in all three of our channels of trade during the year.

In the independent free trade we increased revenue, volumes and operating profit, including cask ales volumes up by 5%. Our 'localness' strategy helped to increase our customer base by over 10% in 2010. We now supply over 2,800 regular customers aiming to provide a high quality service and "business solutions" advising customers on sales building and cost reduction.

In the take home market we have successfully built on our strong 2009 performance, with premium ales up 11%. Take home volumes now account for 44% of our external ale sales volume. We have achieved strong premium ale performance across the brand range, with Marston's up 9%, Hobgoblin up 18%, Jennings up 53% and Ringwood up 187%.

Sales to tenanted and managed pub companies were down year on year in a difficult market; however trends stabilised throughout the year with our brands making good progress in most of the major pub companies.

Operating margin was down by 0.5% to 15.3% as a consequence of the change in sales mix towards the off-trade, which is at lower margins than the on-trade. Costs were broadly unchanged and we anticipate this to be the case in 2011 as a consequence of the majority of our supply contracts being at fixed prices.

Our EBITDA return on capital employed has increased to 16.8% (2009: 16.0%) demonstrating good returns from our brewing investments.

<u>Development of 'Localness' and premium ale strategy</u>

We continued to invest in national and regional ale marketing campaigns, with Hobgoblin and Marston's Pedigree being the major focus of brand investment in 2010. Hobgoblin, the 'Unofficial Beer of Halloween', was sold in 7,000 pubs nationwide and it was the leading seasonal premium bottled ale brand in supermarkets. The position of Marston's Pedigree as a leading national cask ale was reinforced with continued sponsorship activity supporting the ECB as the 'The Official Beer of England Cricket'. Our regional brands benefited from committed sponsorships of a wide range of events including the New Forest Show, the Oxford Ale Trail and the Keswick Jazz Festival.

The fast**cask™** initiative launched in 2010 has enabled us to serve cask ale in many different types of outlet, such as music festivals, holiday parks and in pubs discovering cask beer for the first time.
Awards received in 2010 include the Morning Advertiser's National Cask Ale Supplier of the Year Award and the Publican magazine's Corporate Social Responsibility Award for our handling of the aftermath of the Cockermouth floods when we raised over £178k for the Cumbria Flood Relief Fund.

FINANCIAL REVIEW

	Revenue		Underlying operating profit		Margin	
	2010	2009	**2010**	2009	**2010**	2009
	£m	£m	**£m**	£m	**%**	%
Marston's Inns and Taverns	**373.8**	367.8	**65.1**	60.3	**17.4**	16.4
Marston's Pub Company	**170.8**	175.8	**78.8**	81.8	**46.1**	46.5
Marston's Beer Company	**106.1**	101.5	**16.2**	16.0	**15.3**	15.8
Marston's Group Services	**-**	-	**(11.4)**	(10.7)	**(1.8)**	(1.7)
Group	**650.7**	645.1	**148.7**	147.4	**22.9**	22.8

Results for the 52 weeks to 2 October 2010

Despite the continued tough economic backdrop, Group revenue was 0.9% up on last year, with improving trends in all three of our trading divisions. Group operating margin was 0.1% up on last year with significant improvement in Marston's Inns and Taverns as a consequence of tight cost control and the disposal of low margin leasehold assets.

Underlying operating profit increased by 0.9% to £148.7 million and underlying earnings per share were 10.0 pence per share (2009: 13.4 pence per share).

Operating profit after exceptional items was £132.4 million (2009: £110.4 million) and basic earnings per share after exceptional items were 8.3 pence per share (2009: 3.9 pence per share). One of our core strategic objectives is to increase return on capital employed. In 2010 this figure was 9.4% representing an improvement on the 2009 figure of 9.0%.

Dividend

The proposed final dividend of 3.7 pence per share is the same as last year and will give a total dividend for the year of 5.8 pence per share, compared to 7.14 pence per share in the prior year. Dividend cover at the year end is 1.7 times (2009: 1.6 times).

The Board's policy remains to target a dividend cover of around two times over the medium term although the level of cover in any one year may vary.

Capital expenditure

Capital expenditure was £83.5 million in 2010 (2009: £56.1 million), including the construction of 15 new-build sites. We expect this to increase to around £100 million in 2011, the increase being primarily attributable to the development of an additional 5 new-build sites in the year. The level of maintenance capital expenditure will be broadly similar to 2010.

Disposals

We continually review our property portfolio and sell those with low growth prospects and those with higher alternative use value. Despite a challenging property market, we sold 45 properties during the year, realising book values on average and generating cash of £17.5 million.

Financing

The higher margin payable under the forward start bank facility, which commenced in August 2010, will result in the blended cost of debt for the Group marginally increasing to 6.9%. This facility, together with our long-term securitisation of approximately £1 billion, provides us with an appropriate level of financing headroom for the medium term, with a structure that continues to provide operational flexibility.

The Group has significant headroom on both the banking and securitisation covenants. Importantly, the Group also has flexibility within the financing structures to transfer pubs between the banking and securitisation groups.

Net debt of £1,082.2 million at 2nd October 2010 is a reduction of £17.1 million compared to £1,099.3 million at 3rd October 2009. The reduction in net debt, which has been achieved despite the increase in capital expenditure, has been driven by a combination of tighter working capital management and a tax repayment in respect of prior year queries.

For the period ended 2nd October 2010 the ratio of net debt to EBITDA before exceptional items was 5.7 times (2009: 5.7 times). It remains our intention to reduce this ratio to around 5.0 times over the course of the next few years. Interest cover of 2.0 times has improved slightly versus last year. (2009: 1.9 times).

Net finance costs before exceptional items are £1.9million below last year largely driven by the lower level of net debt.

At the year end virtually all of our gross debt is at fixed rates of interest.

Treasury management

The Group regularly reviews its forecast short-term and medium-term cash flows, and excess cash is either placed on short-term deposit or invested in deposits which are refundable on demand. The vast majority of the Group’s borrowings are fixed through a combination of fixed rate securitised debt and interest rate swaps.

The financial risks faced by the Group are managed in accordance with Board approved policies and are subject to regular review by the treasury committee. The banking and securitisation covenants are reviewed throughout the year by the treasury committee and Board with a focus on ensuring appropriate headroom is available.

Pensions

The deficit on our final salary pension scheme at the year end was £25.0 million before tax (2009: £35.3 million), and £18.2 million after tax (2009: £25.4 million).

Contributions to the scheme were broadly similar to last year with a £10 million top-up contribution. The top-up contribution increases at 5.75% annually, with the intention of funding the deficit over the next nine years.

Taxation

The underlying rate of taxation (before exceptional items) of 22.3% in 2010 is below the standard rate of corporation tax of 28% due to the favourable agreement of certain prior year tax issues and the advantageous tax treatment of a number of short leasehold properties

The underlying tax rate has increased by 1.4% from 20.9% in 2009.

Exceptional items

There are net exceptional charges of £9.6 million after tax. This reflects £18.9 million provision in respect of onerous leases, £4.7 million loss on the mark-to-market valuation of certain interest rate swaps and £2.1 million of property related insurance claims in the period. This has been offset by a £4.7 million credit for reclaimed VAT in respect of gaming machine income. The consequential tax related credit is £11.4 million.

GROUP INCOME STATEMENT

For the 52 weeks ended 2 October 2010

	2010 Before exceptional items £m	**2010** Exceptional items £m	**2010** Total £m	2009 Before exceptional items £m	2009 Exceptional items £m	2009 Total £m
Revenue	**650.7**	**-**	**650.7**	645.1	-	645.1
Operating expenses	**(502.0)**	**(16.3)**	**(518.3)**	(497.7)	(37.0)	(534.7)
Operating profit	**148.7**	**(16.3)**	**132.4**	147.4	(37.0)	110.4
Finance costs	**(75.7)**	**-**	**(75.7)**	(78.0)	-	(78.0)
Finance income	**0.5**	**-**	**0.5**	0.9	-	0.9
Movement in fair value of interest rate swaps	**-**	**(4.7)**	**(4.7)**	-	(11.9)	(11.9)
Net finance costs	**(75.2)**	**(4.7)**	**(79.9)**	(77.1)	(11.9)	(89.0)
Profit before taxation	**73.5**	**(21.0)**	**52.5**	70.3	(48.9)	21.4
Taxation	**(16.4)**	**11.4**	**(5.0)**	(14.7)	9.7	(5.0)
Profit for the period attributable to equity shareholders	**57.1**	**(9.6)**	**47.5**	55.6	(39.2)	16.4

Earnings per share:

	2010	2009
Basic earnings per share	**8.3p**	3.9p
Basic earnings per share before exceptional items	**10.0p**	13.4p
Diluted earnings per share	**8.3p**	3.9p
Diluted earnings per share before exceptional items	**10.0p**	13.3p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 2 October 2010

	2010 £m	2009 £m
Profit for the period	**47.5**	16.4
Losses arising on cash flow hedges	**(54.3)**	(53.5)
Transfers to the income statement on cash flow hedges	**22.3**	14.2
Actuarial losses on retirement benefits	**(1.0)**	(7.6)
Unrealised surplus on revaluation of properties	**3.3**	3.0
Reversal of past revaluation surplus	**(2.0)**	(43.9)
Tax relating to components of other comprehensive income/(expense)	**14.4**	18.4
Other comprehensive income/(expense) for the period	**(17.3)**	(69.4)
Total comprehensive income/(expense) for the period	**30.2**	(53.0)

GROUP CASH FLOW STATEMENT
For the 52 weeks ended 2 October 2010

	2010	2009
	£m	£m
Operating activities		
Operating profit before exceptional items	**148.7**	147.4
Exceptional operating items	**(16.3)**	(37.0)
Depreciation and amortisation	**39.9**	44.4
EBITDA	**172.3**	154.8
Working capital and non-cash movements	**26.4**	15.7
Difference between defined benefit pension contributions paid and amounts charged	**(11.8)**	(11.2)
Income tax received/(paid)	**2.4**	(12.0)
Net cash inflow from operating activities	**189.3**	147.3
Investing activities		
Interest received	**0.9**	1.4
Sale of property, plant and equipment and assets held for sale	**17.5**	26.0
Purchase of property, plant and equipment and intangible assets	**(83.5)**	(56.1)
Movement in other non-current assets	**2.7**	2.8
Acquisition of subsidiaries, net of cash acquired	**-**	(5.3)
Net cash outflow from investing activities	**(62.4)**	(31.2)
Financing activities		
Equity dividends paid	**(33.0)**	(35.9)
Net proceeds of rights issue	**-**	165.6
Interest paid	**(73.5)**	(73.7)
Arrangement costs of new bank facilities	**-**	(5.0)
Repayment of securitised debt	**(19.4)**	(18.2)
Repayment of bank loans	**(28.0)**	(109.0)
Repayment of loan notes	**(4.8)**	(3.0)
Capital element of finance leases repaid	**-**	(0.1)
Net cash outflow from financing activities	**(158.7)**	(79.3)
Net (decrease)/increase in cash and cash equivalents	**(31.8)**	36.8

Reconciliation of net cash flow to movement in net debt

	2010	2009
(Decrease)/increase in cash and cash equivalents in the period	**(31.8)**	36.8
Cash inflow from movement in debt	**52.2**	130.3
Change in debt resulting from cash flows	**20.4**	167.1
Net debt acquired with subsidiaries	**-**	(0.3)
Non-cash movements and deferred issue costs	**(3.3)**	2.0
Movement in net debt in the period	**17.1**	168.8
Net debt at beginning of the period	**(1,099.3)**	(1,268.1)
Net debt at end of the period	**(1,082.2)**	(1,099.3)

GROUP BALANCE SHEET
As at 2 October 2010

	2 October 2010 £m	3 October 2009 £m
Assets		
Non-current assets		
Goodwill	**224.2**	224.2
Other intangible assets	**24.6**	23.9
Property, plant and equipment	**1,930.2**	1,894.4
Deferred tax assets	**65.5**	59.4
Other non-current assets	**19.2**	21.9
Derivative financial instruments	**-**	0.1
	2,263.7	2,223.9
Current assets		
Inventories	**17.2**	17.3
Trade and other receivables	**65.3**	79.3
Cash and cash equivalents	**59.5**	91.3
	142.0	187.9
Assets held for sale	**16.0**	19.5
Liabilities		
Current liabilities		
Borrowings	**(16.9)**	(21.4)
Derivative financial instruments	**(20.8)**	(16.1)
Trade and other payables	**(115.7)**	(109.6)
Current tax liabilities	**(25.2)**	(24.0)
	(178.6)	(171.1)
Non-current liabilities		
Borrowings	**(1,124.8)**	(1,173.5)
Derivative financial instruments	**(108.9)**	(77.0)
Pension commitments	**(25.0)**	(35.3)
Deferred tax liabilities	**(171.3)**	(173.3)
Other non-current liabilities	**(0.3)**	(0.7)
Provisions for other liabilities and charges	**(32.3)**	(17.2)
	(1,462.6)	(1,477.0)
Net assets	**780.5**	783.2
Shareholders' equity		
Equity share capital	**44.3**	44.3
Share premium account	**332.5**	332.5
Merger reserve	**41.5**	41.5
Revaluation reserve	**401.7**	396.0
Capital redemption reserve	**6.8**	6.8
Hedging reserve	**(79.5)**	(55.4)
Own shares	**(130.9)**	(130.9)
Foreign exchange reserve	**0.2**	0.2
Retained earnings	**163.9**	148.2
Total equity	**780.5**	783.2

GROUP STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 2 October 2010

	Equity share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Foreign exchange reserve £m	Retained earnings £m	Total £m
At 4 October 2009	44.3	332.5	41.5	396.0	6.8	(55.4)	(130.9)	0.2	148.2	783.2
Profit for the period	-	-	-	-	-	-	-	-	47.5	47.5
Actuarial losses	-	-	-	-	-	-	-	-	(1.3)	(1.3)
Tax on actuarial losses	-	-	-	-	-	-	-	-	0.3	0.3
Post-retirement medical benefits	-	-	-	-	-	-	-	-	0.3	0.3
Losses on cash flow hedges	-	-	-	-	-	(54.3)	-	-	-	(54.3)
Transfers to the income statement on cash flow hedges	-	-	-	-	-	22.3	-	-	-	22.3
Tax on hedging reserve movements	-	-	-	-	-	7.9	-	-	-	7.9
Property impairment	-	-	-	(2.0)	-	-	-	-	-	(2.0)
Property revaluation	-	-	-	3.3	-	-	-	-	-	3.3
Deferred tax on properties	-	-	-	6.2	-	-	-	-	-	6.2
Total comprehensive income/(expense)	-	-	-	7.5	-	(24.1)	-	-	46.8	30.2
Share-based payments	-	-	-	-	-	-	-	-	0.1	0.1
Disposal of properties	-	-	-	(1.6)	-	-	-	-	1.6	-
Transfer to retained earnings	-	-	-	(0.2)	-	-	-	-	0.2	-
Dividends paid	-	-	-	-	-	-	-	-	(33.0)	(33.0)
Total transactions with owners	-	-	-	(1.8)	-	-	-	-	(31.1)	(32.9)
At 2 October 2010	44.3	332.5	41.5	401.7	6.8	(79.5)	(130.9)	0.2	163.9	780.5

	Equity share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Foreign exchange reserve £m	Retained earnings £m	Total £m
At 5 October 2008	22.3	188.9	41.5	436.1	6.8	(27.1)	(134.5)	0.2	172.7	706.9
Profit for the period	-	-	-	-	-	-	-	-	16.4	16.4
Actuarial losses	-	-	-	-	-	-	-	-	(7.5)	(7.5)
Tax on actuarial losses	-	-	-	-	-	-	-	-	2.1	2.1
Post-retirement medical benefits	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Losses on cash flow hedges	-	-	-	-	-	(53.5)	-	-	-	(53.5)
Transfers to the income statement on cash flow hedges	-	-	-	-	-	14.2	-	-	-	14.2
Tax on hedging reserve movements	-	-	-	-	-	11.0	-	-	-	11.0
Property impairment	-	-	-	(43.9)	-	-	-	-	-	(43.9)
Property revaluation	-	-	-	3.0	-	-	-	-	-	3.0
Deferred tax on properties	-	-	-	5.3	-	-	-	-	-	5.3
Total comprehensive income/(expense)	-	-	-	(35.6)	-	(28.3)	-	-	10.9	(53.0)
Share-based payments	-	-	-	-	-	-	-	-	(0.4)	(0.4)
Disposal of properties	-	-	-	(4.4)	-	-	-	-	4.4	-
Transfer to retained earnings	-	-	-	(0.1)	-	-	-	-	0.1	-
Net rights issue proceeds	22.0	143.6	-	-	-	-	-	-	-	165.6
Cancellation of own shares	-	-	-	-	-	-	3.6	-	(3.6)	-
Dividends paid	-	-	-	-	-	-	-	-	(35.9)	(35.9)
Total transactions with owners	22.0	143.6	-	(4.5)	-	-	3.6	-	(35.4)	129.3
At 3 October 2009	44.3	332.5	41.5	396.0	6.8	(55.4)	(130.9)	0.2	148.2	783.2

NOTES

1 Accounting policies

Basis of preparation

The financial information for the 52 weeks ended 2 October 2010 (2009: 52 weeks ended 3 October 2009) has been extracted from the audited financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally land and buildings, derivative financial instruments, pension commitments and share-based payments.

2 Segmental reporting

			2 October 2010			
	Marston's Inns and Taverns £m	**Marston's Pub Company £m**	**Marston's Beer Company £m**	**Marston's Group Services £m**	**Unallocated £m**	**Total £m**
Revenue	**373.8**	**170.8**	**106.1**	**-**	**-**	**650.7**
Operating profit before exceptional items	**65.1**	**78.8**	**16.2**	**(11.4)**	**-**	**148.7**
Exceptional items	**(11.4)**	**(3.6)**	**(0.3)**	**(1.0)**	**-**	**(16.3)**
Operating profit	**53.7**	**75.2**	**15.9**	**(12.4)**	**-**	**132.4**
Net assets	**902.1**	**1,088.2**	**148.4**	**9.7**	**(1,367.9)**	**780.5**

			3 October 2009			
	Marston's Inns and Taverns £m	**Marston's Pub Company £m**	**Marston's Beer Company £m**	**Marston's Group Services £m**	**Unallocated £m**	**Total £m**
Revenue	367.8	175.8	101.5	-	-	645.1
Operating profit before exceptional items	60.3	81.8	16.0	(10.7)	-	147.4
Exceptional items	(34.2)	(2.8)	-	-	-	(37.0)
Operating profit	26.1	79.0	16.0	(10.7)	-	110.4
Net assets	902.9	1,087.7	156.1	2.0	(1,365.5)	783.2

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

3 Exceptional items

	2010 £m	2009 £m
Operating items		
Impairment of freehold and leasehold properties	**-**	24.1
Recognition of onerous lease and other property related provisions	**18.9**	12.9
Property related insurance claims	**2.1**	-
VAT refund	**(4.7)**	-
	16.3	37.0
Non-operating items		
Movement in fair value of interest rate swaps	**4.7**	11.9
	21.0	48.9

Recognition of onerous lease and other property related provisions

A review of the Group's leases during the period identified £18.9 million (2009: £12.9 million) of onerous leases requiring provision. This relates to an additional provision for some onerous leases recognised in the prior period where market conditions have deteriorated, and a provision for rent payments following the reversion of onerous leases to the Group in the current period.

Property related insurance claims

Property related insurance claim costs of £2.1 million have been incurred during the period, principally relating to flooding and fire claims. The Group's properties in the Lake District, including the Jennings Brewery and local pubs in particular, suffered significant flood damage during the period. A condition of the Group's insurance policy is that it is responsible for a portion of the claims.

VAT refund

During the period a refund of £5.1 million was received from HM Revenue & Customs in relation to VAT on gaming machine income. It followed Tribunal/Court of Appeal hearings involving The Rank Group Plc. Points raised during the Rank case have been referred to the European Court of Justice and are due to be heard in 2011. HM Revenue & Customs have issued protective assessments to recover the repayment in the event they are successful with their appeal. The Group has appealed against these protective assessments, but if HM Revenue & Customs are successful upon appeal, the Group would be required to repay the £5.1 million plus interest. A gain of £4.7 million (net of associated fees) has been recognised as an exceptional item in the income statement, and the potential refund has been recorded as a contingent liability.

Movement in fair value of interest rate swaps

The interest rate swaps are revalued to fair value at each balance sheet date and the movement is recognised in the income statement unless hedge accounting is applied. The movement of £4.7 million (2009: £11.9 million) in the fair value of swaps, where hedge accounting has not been applied, is shown as an exceptional item.

Impact of taxation

The current tax credit relating to the above exceptional items amounts to £7.8 million (2009: £0.2 million). The deferred tax credit relating to the above exceptional items amounts to £1.5 million (2009: £9.5 million). In addition, £2.1 million (2009: £nil) has been credited as exceptional in relation to the change in corporation tax rate.

Prior period exceptional items

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

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

As part of the overall review of properties, a full assessment of property provisions was undertaken to reflect the most recent circumstances and expectations. A number of onerous lease and other property related provisions were identified during the review and these were recognised in provisions for other liabilities and charges. These were considered to be linked to the exceptional events which impacted the estate as noted above.

4 Taxation

Income statement	**2010 £m**	2009 £m
Current tax		
Current period	**16.0**	20.5
Credit in respect of tax on exceptional items	**(7.8)**	(0.2)
Adjustments in respect of prior periods	**(9.1)**	(3.7)
	(0.9)	16.6
Deferred tax		
Current period	**0.3**	(3.6)
Adjustments in respect of prior periods	**9.2**	1.5
Exceptional credit in respect of the movement in fair value of interest rate swaps	**(1.3)**	(3.3)
Exceptional credit in relation to impairments and onerous lease provisions	**-**	(6.2)
Exceptional credit in relation to the change in tax rate	**(2.1)**	-
Credit in respect of tax on other exceptional items	**(0.2)**	-
	5.9	(11.6)
Taxation charge reported in the income statement	**5.0**	5.0

5 Ordinary dividends on equity shares

	2010 £m	2009 £m
Paid in the period		
Final dividend for 2009 of 3.70p per share (2008: 6.08p*)	**21.0**	22.9
Interim dividend for 2010 of 2.10p per share (2009: 3.44p*)	**12.0**	13.0
	33.0	35.9

A final dividend for 2010 of 3.70p per share amounting to £21.0 million has been proposed for approval at the Annual General Meeting, but has not been reflected in the financial statements.

Subject to approval at the Annual General Meeting this dividend will be paid on 1 February 2011 to those shareholders on the register at close of business on 17 December 2010.

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

6 Earnings per ordinary share

Basic earnings per share are calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period, excluding treasury shares and those held in the Executive Share Option Plan and the Long Term Incentive Plan.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the weighted average market price of the Company's shares during the period. The effect of the dilutive options is to increase the weighted average number of shares by 2.0 million (2009: 1.9 million).

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

	2010			2009		
	Earnings	**Weighted average number of shares**	**Per share amount**	Earnings	Weighted average number of shares	Per share amount
	£m	**m**	**p**	£m	m	p
Basic earnings per share	**47.5**	**569.3**	**8.3**	16.4	415.8	3.9
Diluted earnings per share	**47.5**	**571.3**	**8.3**	16.4	417.7	3.9
Underlying earnings per share figures:						
Basic earnings per share before exceptional items	**57.1**	**569.3**	**10.0**	55.6	415.8	13.4
Diluted earnings per share before exceptional items	**57.1**	**571.3**	**10.0**	55.6	417.7	13.3

7 Analysis of net debt

	2010	Cash flow	Non-cash movements and deferred issue costs	2009
	£m	£m	£m	£m
Cash and cash equivalents				
Cash at bank and in hand	**59.5**	(31.8)	-	91.3
	59.5	(31.8)	-	91.3
Trade and other receivables				
Prepaid issue costs	**-**	-	(4.3)	4.3
	-	-	(4.3)	4.3
Debt due within one year				
Loan notes	**(0.6)**	4.8	-	(5.4)
Bank loans	**1.5**	-	0.8	0.7
Securitised debt	**(17.8)**	19.4	(20.5)	(16.7)
	(16.9)	24.2	(19.7)	(21.4)
Debt due after one year				
Bank loans	**(94.2)**	28.0	2.8	(125.0)
Securitised debt	**(1,030.5)**	-	17.9	(1,048.4)
Preference shares	**(0.1)**	-	-	(0.1)
	(1,124.8)	28.0	20.7	(1,173.5)
	(1,082.2)	20.4	(3.3)	(1,099.3)

Included within cash at bank and in hand is an amount of £3.9 million (2009: £3.9 million), which relates to a letter of credit with Royal Sun Alliance Insurance, and an amount of £8.6 million (2009: £9.1 million), which relates to collateral held in the form of cash deposits. These amounts are considered to be restricted cash.

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

Prepaid issue costs were in respect of the extension to the Group's bank facility that was agreed during the prior period. The new bank facility commenced in August 2010 and as such these issue costs are now offset against the associated debt.

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

Notes:

a. The contents of this preliminary announcement, which constitute summary financial statements as defined in Section 427 of the Companies Act 2006, have been extracted from the audited statutory accounts of the Group for the 52 weeks ended 2 October 2010, which will be filed with the Registrar of Companies in due course. The statutory accounts for the 52 weeks ended 3 October 2009 have been delivered to the Registrar of Companies. The independent auditors' report on these accounts is unqualified and does not contain any statements under section 498 (2) or (3) of the Companies Act 2006.

b. The annual report for the 52 weeks ended 2 October 2010 will be posted to shareholders on Monday 20th December 2010. Copies will be obtainable from Hudson Sandler Limited (020 7796 4133) or from The Company Secretary, Marston's PLC, Marston's House, Brewery Road, Wolverhampton, WV1 4JT.