MARSTON'S

5 December 2023

MARSTON'S PLC
PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 30 SEPTEMBER 2023

IMPROVED UNDERLYING PROFITABILITY, POSITIVE CASH FLOW AND CONTINUED STRATEGIC MOMENTUM

Marston's, a leading UK operator of 1,414 pubs, today announces its Preliminary Results for the 52 weeks ended 30 September 2023. The period under review commenced on 2 October 2022.

	Underlying		**Total**	
	2023	2022	**2023**	2022
Total revenue	**£872.3 m**	£799.6 m	**£872.3 m**	£799.6 m
Pub operating profit	**£124.8 m**	£115.4 m	**£90.2 m**	£142.1 m
Share of associate	**£9.9 m**	£3.3 m	**£9.9 m**	£3.3 m
Profit/(loss) before tax	**£35.5 m**	£27.7 m	**£(20.7) m***	£163.4 m
Net profit/(loss)	**£32.0 m**	£27.5 m	**£(9.3) m**	£137.2 m
Earnings/(loss) per share	**5.1 p**	4.3 p	**(1.5)p**	21.7p
Net cash inflow	**£34.4 m**	£26.2 m	**£34.4 m**	£26.2 m
NAV per share			**£1.01**	£1.02
Underlying operating margin	**14.3%**	14.4%		

**Includes a £21.6 million net loss in respect of interest rate swap movements, a partial reversal of the £109.2 million net gain reported in FY2022, and £31.2 million of charges in respect of the impairment of freehold and leasehold properties.*

Revenue and underlying pub operating profit growth, despite macroeconomic environment

- Continued progress on 'Back to a Billion' sales and net debt targets, with revenue up 9.1% to £872.3 million
- Like-for-like sales up 10.1% vs last year
- Both drink and food sales were encouraging, demonstrating the trading resilience of the Group's predominantly community pub estate
- 8% increase in underlying pub operating profit: £124.8 million (FY2022: £115.4 million)
- Underlying operating margin effectively flat at 14.3% (2022: 14.4%), preserving margins in a high inflation environment
- Improved share of CMBC's profits: £9.9 million (FY2022: £3.3 million) and £21.6 million of dividends received

Positive cash generation and debt reduction

- Operating cash inflow of £141.2 million (FY2022: £134 million) and net cash inflow for the period of £34.4 million (FY2022: £26.2 million)
- Continued progress with debt reduction strategy: net debt excluding IFRS 16 lease liabilities reduced by £31 million to £1,185 million (FY2022: £1,216 million)
- £54.5 million generated from non-core strategic disposals, proceeds ahead of net book value
- Successfully secured amendment and extension of banking facilities totalling £340 million, comprising £300 million RCF and £40 million private placement

Continued evolution of pub portfolio

- Continued market outperformance with a well-positioned, predominantly freehold pub estate, with limited exposure to city centres, and community pubs continuing to benefit from consumer lifestyle changes
- Simplified pub estate evolution delivering positive momentum with food and drink spend per head up 8.1% and 8.6% respectively and gross margin up 0.6%
- Successful trial of franchise-style model in food-led managed pubs; sales growth significantly exceeding that of the broader food business
- Completed 41 capital schemes and £4m garden investment; £50-55m of capex investment earmarked for FY2024

Current trading and outlook

- Positive current trading, with like-for-like sales since year end +7.4% vs. last year
- Christmas bookings tracking well and ahead of last year
- Continuing to manage inflationary challenges within our control: energy costs secured with electricity fixed until end of FY2024 and gas until end of March 2025; offsetting other costs through efficiencies and pricing strategies
- Improved business resilience: targeting margin improvement of at least 200bps in the medium term
- Over and above the progress already made, the Group will continue to find efficiencies to improve margin
- Justin Platt joins as CEO on 10 January 2024

Commenting, William Rucker, Chair said:

"We have continued to make positive progress on our key goals and strategic initiatives. The consumer has remained resilient despite the macro backdrop and Marston's continues to trade well, achieving market outperformance.

We anticipate an improving outlook in which cost headwinds are largely abating and like-for-like sales are up over 7% since the year end. This, together with the actions we have taken this year to drive further efficiencies, leave us confident that Marston's remains well-placed to continue to outperform and to grow revenue, margin and profitability.

We look forward to welcoming Justin Platt who joins the Group as CEO in January. The business is in good shape and well-positioned to take advantage of the future opportunities open to us to create value for our shareholders under his stewardship."

ENQUIRIES:

Marston's PLC Tel: 01902 329516
William Rucker, Chair
Hayleigh Lupino, Chief Financial Officer

Instinctif Partners Tel: 020 7457 2020
Justine Warren
Matthew Smallwood
Joe Quinlan

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 1,414 pubs situated nationally, comprising managed, franchised and leased pubs
- Marston's employs around 11,000 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

2023 PERFORMANCE OVERVIEW

2023 has been a year of focusing on the core estate and our strategic aims with a clear objective to create a simplified, high-quality, predominantly community pub business, with minimal exposure to city centres where demand is more volatile.

Our strategy continues to be centred upon delivering affordable pub experiences for our guests in a quality environment, both inside and out. The level of consumer demand remains reassuring, and we have continued to make positive progress on guest satisfaction measures and standards over the year, through our engaged and focused pub teams.

We have traded well during the year, outperforming the market, and have made encouraging earnings progress on last year, despite the challenging macroeconomic environment. In addition, as described below, we have taken cost actions to improve the resilience of the business model and improve profitability for the coming year.

The successful trial of our franchise-style model in our food-led managed pubs, with sales growth significantly exceeding that of our broader food business, provides positive momentum and additional options in optimising our estate.

The performance supports the progress we are making against our strategy and the transformation which has been implemented across the business during the last two years. Our two primary corporate goals remain: to reach two £1 billion financial targets over time, namely to reduce the Group's debt (excluding IFRS 16 lease liabilities) to below £1 billion by 2026 and the achievement of £1 billion of sales. We continue to make progress on both of these goals.

Trading

Revenue increased by 9.1% to £872.3 million (2022: £799.6 million), total retail sales in the Group's managed and franchised pubs for the 52-week period were +9.8% on last year, and like-for-like retail sales for the year as a whole were up 10.1% versus FY2022.

Both drink sales and food sales have been strong, demonstrating the resilience and appeal of our business. We continue to have confidence that our pub strategy is delivering positive momentum through the challenging macroeconomic environment.

Underlying operating profit excluding income from associates was £124.8 million (2022: £115.4 million). Underlying operating margins were effectively flat compared to last year, with a margin of 14.3% (2022: 14.4%); managing price increases, product mix and efficiencies to preserve margins in a period of high cost inflation. H1 margin was 10.6% and H2 margin was 17.6%.

Underlying operating profit including income from associates was £134.7 million (2022: £118.7 million), an increase of 13.5%.

Underlying profit before tax was £35.5 million (2022: £27.7 million). Statutory loss before tax was £(20.7) million (2022: profit of £163.4 million), reflecting the impact of non-underlying items explained later.

Property and net assets
Net assets were £640.1 million (2022: £648.1 million), with net asset value stable at £1.01 per share (2022: £1.02).

The carrying value of the estate remains £2.1 billion (2022: £2.1 billion). As a result of the valuation and leasehold impairment review there is an effective freehold impairment of £24.3 million and a leasehold impairment of £4.9 million. The valuation of non-core pubs and an increase in discount rates have contributed to the impairment. Importantly, despite the valuation reflecting a challenging macroeconomic environment, the value of the core estate has been maintained.

During the year we generated £54.5 million of non-core pub disposal proceeds (net of VAT), which comprised £51.3 million proceeds net of £1.1 million fees and £2.1 million lease liabilities. The net proceeds were above book value.

Debt and financing
The vast majority of our borrowings are long-dated and asset-backed, including the securitisation debt of c.£611 million, which has low interest rates in the current environment and a payment structure that reduces debt. The weighted average fixed interest rate payable by the Group on its securitised debt at 30 September 2023 was 5.1%. The Group has confidence in the loan to value of its debt, which is improving year on year and is currently 68% for debt excluding IFRS 16 lease liabilities and 53% for the securitisation debt.

93% of our borrowings are hedged and therefore not at risk from 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 £1,185 million, a reduction of £31 million from last year (2022: £1,216 million). Total net debt of £1,566 million (2022: £1,594 million) includes IFRS 16 lease liabilities of £380 million (2022: £378 million).

Carlsberg Marston's Brewing Company (CMBC)
Income from associates was £9.9 million (2022: £3.3 million), which is the Group's share of the statutory profit after tax generated by CMBC. CMBC's results show an improvement from last year.

Dividends from associates of £21.6 million were received (2022: £19.4 million), the prior year dividend having primarily resulted from one-off working capital movements. We remain confident that we will continue to receive future dividends from CMBC as its trading continues to improve.

Dividend
The Board confirms that given its priority to reduce the overall level of borrowing and the continued macroeconomic uncertainty, no dividends will be paid in respect of financial year 2023. The Board is cognisant of the importance of dividends to shareholders and intends to keep potential future dividends under review.

OUTLOOK

New CEO
Post the year end, the Group announced that Andrew Andrea had agreed with the Board that he would step down as Chief Executive Officer as of 17 November 2023, albeit he is available to the business for a period to ensure a smooth handover of responsibilities. The Board wishes to take this opportunity to express its gratitude to Andrew for his commitment to Marston's over his tenure, which extends over 20 years.

Following an external process, Justin Platt has been appointed as Chief Executive Officer with effect from 10 January 2024. With over 30 years' experience in hospitality and consumer-facing businesses, Justin spent the last 12 years at Merlin Entertainments – most recently as Chief Strategy Officer and prior to that in a variety of operational leadership roles. William Rucker, Chair, will support the management transition in the short interim period with the Executive team reporting directly into him prior to Justin being in situ.

Costs

As highlighted in our October trading update, as a consequence of pursuing the operational strategy of simplifying the business and driving efficiencies, and following a review of the business structure over the summer, we have reduced head office headcount costs by approximately £5 million, generating savings in FY2024 onwards.

The Group is highly confident of delivering cost efficiencies of at least a further £3 million in FY2024, principally from savings in energy usage and pub labour costs as described in the strategic review below, further improving operating profit margin. These cost reductions are expected to translate into higher pub operating profitability in future years than was previously anticipated. This cost efficiency delivery is not impacted by the changes to National Minimum (Living) Wage ("NLW") rates.

As previously guided, we have fixed our energy costs for FY2024 and have secured a significant proportion of our food and drink costs for the year, providing us with a high degree of confidence for the next financial year.

With regard to interest costs as described above, our borrowings are largely long-dated and asset-backed. 93% of our borrowings are hedged and therefore not at risk of changes in interest rate movements that may occur during the year.

It is anticipated that the increases to the NLW rates, which were announced in the recent Autumn Statement will be c.£1 million for H2 of FY2024 (c.£2 million annualised). We intend to mitigate this increase through a variety of actions including the acceleration of our cost efficiency programme, together with price increases where appropriate. Other Autumn Statement measures announced, such as the changes to business rates, are expected to have minimal impact.

Current trading

The positive trading momentum from last year has continued, with like-for-like sales in our managed and franchised pubs since year end up 7.4% vs the same period last year, with growth in both.

Bookings for the Christmas period are promising and tracking ahead of last year. As always, walk-in trade represents a significant proportion of overall sales over the period; however, the booking momentum demonstrates that, despite economic pressures, people still want to go out and celebrate in a pub.

We remain cognisant of the current macroeconomic environment, and the resulting challenges this brings in respect of cost inflation and the potential impact on disposable income. However, pubs have historically demonstrated their resilience as an affordable treat and there is no discernible evidence in our trading performance to suggest that there has been a material change to consumer behaviour.

Outlook

Looking forward, the combination of our strategy and the principally community location of our pub portfolio positions us well to withstand the challenging consumer environment. In addition, the actions to dispose of non-core pubs and introduce our franchise-style model in our food-led pubs will ensure we have a portfolio of well-invested pubs which will continue to deliver high-quality earnings and sustainable future growth.

An improving outlook in which cost headwinds are abating, together with the actions we have taken this year to drive further efficiencies, leaves us confident that Marston's remains well-placed to continue to outperform in the current macroeconomic environment, grow revenue and profitability, as well as deliver improved margin in the year ahead.

STRATEGIC PRIORITIES

Market Dynamics

Last year saw the first restriction-free financial year of trading since 2019 and, as such, it was the first 'clean' year in which to understand the behaviour of consumers following the pandemic.

We have learnt a great deal to inform our future trading strategies. It is clearer than ever before that delivering a great guest experience is key. Consumers are increasingly demanding in this regard, and our guests are prepared to spend more money when they visit our pubs. Red letter days are becoming more and more important and, from an impulse perspective, the Google search "Best place for" is increasingly used by consumers, whether for a great pub garden, televised sport, or dog friendliness. The evolution of working from home is stabilising and, in our view, this behavioural change is best suited to community pub businesses such as Marston's with limited exposure to city centres.

However, inflationary pressures have continued this year, and the UK has seen significant increases in interest rates, both of which have presented challenges to consumers and businesses alike. Despite this, what is clear is that the demand to go out and socialise and enjoy the everyday treat of going to the local pub, remains core to many people's lives.

Strategy

Our vision and strategy is unchanged. That is creating 'Pubs to be proud of', comprising a high-quality, predominantly community pub business, with minimal exposure to city centres.

Operationally, we are focused on the core pillars of driving guest satisfaction in a great environment served by engaged and motivated teams. This remains relevant despite the macroeconomic challenges continuing to impact the consumer.

A key driver of our strategy is simplification. We have two core propositions: Community is our entry point offer, and Signature is our more premium mainstream offer for pubs with a more affluent customer base. Whilst food is clearly important in many of our pubs, we are focused on ensuring that, regardless of food mix, all our pubs are regarded as a place to socialise and have a drink in a welcoming environment. This year we have also undertaken a detailed estate review which enabled us to consider a number of future operational strategies from a rich and relevant data source, from targeted capital expenditure to opportunities linked to cluster planning, including potential acquisitions or disposals. The estate review has been one of the main contributing factors to the increase in our disposals guidance for FY2024.

Financially, we are focused on three key priorities which we are confident will deliver shareholder value in the medium to long term by creating a sustainable business that is growing sales, earnings and cash generation, whilst reducing debt levels and increasing returns.

Borrowings Below £1 Billion by 2026

This corporate goal is our main strategic focus and where we see the greatest shareholder value creation opportunity. Our actions to achieve this are twofold:

- **Accelerated disposal of non-core assets**: in 2023 we generated £55 million of disposal proceeds (net of VAT) from the sale of non-core assets. Following a further strategic review of the estate we are targeting around £50 million in financial year 2024. Thereafter we are anticipating returning to a natural churn rate of £10-15 million of disposals per annum.
- **Growth of Free Cash Flow:** in achieving the borrowings target we are seeking to maximise the free cash flow of the business which provides us with optionality on the allocation of capital in future, including additional capital expenditure and the reintroduction of dividend payments. Given the hedged debt profile of the business, outside pub EBITDA, the future cash flows are predictable with interest charges falling as we pay down debt and the cessation of pension payments targeted by 2025.

The effective use of capex remains key in both maintaining the quality of the estate and driving future growth. Underpinning the estate repositioning described above is a comprehensive capital programme focused on deploying capital as efficiently as possible and maximising returns. During the year we completed 41 capital schemes and we invested £4 million in our pub gardens. The Group has £50-55 million of capex investment earmarked for FY2024.

Sales Above £1 Billion

To complement our debt reduction strategy, we will continue the progress made this year on this corporate goal by driving sales and gaining market share. There are five key actions to achieve this:

- **Clear pub goals**: we have previously set out the three core pub goals of high guest satisfaction scores, engaged teams and strong pub standards, and there is a clear correlation between attainment of pub goals and sales. We have made excellent progress on all three measures this year with an average Google star rating of 4.4 and a Reputation score of 766, high employee engagement with an average score of 8.2 and aggregated participation rate of 84%, and 93% of our managed and partnership pubs have a 5* EHO rating.
- **Driving a harder sales culture**: our internal call-to-action on driving sales is 'Never Full Fancy Another' and this is focused on ensuring that we maximise spend per visit and we can always accommodate a guest, regardless of how busy a pub is. During the year, as part of the garden investment programme, we developed our order and pay system further and have seen continued increased usage. In addition, in the final quarter, we launched a drinks incentive for hourly paid team members which increased both drinks volumes and spend per visit and this will be continued into 2024. We also refined our booking system to ensure an improved booking experience for guests and our pub teams alike.
- **Effective category management:** we continue to simplify our product proposition to make our supply chain as efficient as possible and make it simple for our teams to recommend and serve quality drink or food, without compromising guest choice. We have launched a new drinks strategy based on similar principles, which is delivering enhanced margins in the form of upsell opportunities, improved speed of service and reduced stock holding requirements and wastage.
- **Efficient digital and marketing strategy**: an effective marketing strategy underpins increasing footfall and our focus is on ensuring any marketing expenditure is deployed efficiently with the emphasis on maximising activity returns. We have continued to evolve and develop our digital strategy during the year with improved pub websites and the introduction of card-linked partnerships from which we anticipate an

uplift in 2024. In addition, our targeted door-drop and digital campaigns in 2023 generated a pleasing return on investment and we shall continue this in the coming year.

- **Development of Marston's franchise-style agreements**: the partnership model has been extremely successful in our wet-led pubs since it launched in 2009 and now operates in c.730 pubs. Key to its success is that the model ensures all stakeholders are focused on maximising sales and the 'owner driver' mentality of the partner has delivered consistently strong results. The estate review and simplification of the business has now enabled us to launch the model into food-led pubs with 19 pubs now operating as food-led partnerships. The initial results have been very encouraging and we are targeting 50 pubs (c.11% of our food-led pubs) to be operating under this model by the end of 2024.

Improved Business Resilience: Margin Improvement of at least 200bps in the medium term

Whilst driving the top line is key to delivering growth, it is equally critical to ensure that those sales are effectively converted into profit. As reported, operating margins effectively remained flat in 2023 following a year of significant inflation, and we are one of the highest margin operators in the sector. Regardless of this already strong position, we believe there are clear opportunities to drive margins harder in the next 2-3 years, including:

- **Pub support centre and culture**: the simplification of the business has enabled us to refine our structure and we reduced central payroll costs by £5 million, of which the vast majority will be realised in 2024. In addition, we have internally launched a focus on cost reduction and 'Every Penny Counts' which is aimed at embedding a culture of reviewing any expenditure across the business, no matter how small.
- **Pub labour**: during the year, we rolled out our labour scheduling system, the final modules of which were implemented in November 2023, providing us with a system to ensure we are deploying labour in our pubs in the most efficient way.
- **Energy**: the increased cost of energy has been widely reported and whilst we are seeing an improvement in energy costs for 2024, we do not anticipate those costs falling back to pre-pandemic levels. The focus is therefore to reduce underlying energy usage through a combination of investment and incentivisation and seek opportunities through innovative power purchasing. We have now completed the rollout of smart meters across the managed and partnership estate and integrated this into our reporting systems, which enables us to monitor usage and identify usage savings at a more granular level.

People

Our people are the main underpin to the performance of our business – in short, happy engaged teams deliver great guest experiences, which deliver higher sales. Our engagement scores have improved in the year and survey participation is extremely high – over 80% of our people have participated in at least one of our monthly surveys during the year. Employee turnover has reduced during the year and licensee stability remains an important metric in ensuring we have the right operator in every pub, first time.

From a recruitment perspective, we continue to evolve the use of social media platforms and media to attract talent. In addition, we are looking at alternative talent pools, and this year we have made excellent progress on our Excel programme (formerly Latitude) which supports ex-offenders with employment and training opportunities. We have recently launched the 'Lock Inn' in collaboration with HMP Liverpool, which is a training facility inside the prison that we have converted to look and feel like a Marston's pub and will provide guaranteed job opportunities for any ex-offenders that complete the training course upon their release.

The development of internal talent is also key to long-term success. Our Aspire programme which develops deputy managers was successfully launched this year and we plan to extend this in 2024 to increase the pipeline of new licensees, whether that be as a manager or Pub Partner. We have a well-established apprenticeship programme with 306 apprentices within the business at a retention rate of over 75%.

Doing more to be proud of

As we have previously reported, our environmental, social and governance (ESG) strategy is embedded and supports our business strategy through our 'Doing more to be proud of' (DM2BPO) initiative and our four core pillars: Planet, People, Product and Policy. The People and Planet-positive practices resonate and reflect our core values and strategic priorities, whilst being underpinned by strong Policy – that is good governance, risk management processes and stewardship. Earlier this month, we published our inaugural Insight Report which sets out our aims, targets, and intentions, and shines a light on our focus areas, positive impacts and where we can improve.

Highlights this year include:

- Launching our Diversity & Inclusion strategy where our people are encouraged to 'come as you are'.
- Established our carbon baseline in conjunction with the Zero Carbon Forum and development of our roadmap to Net Zero.
- Over 170 pubs with live EV charging points, with over 40 million miles travelled by electric vehicles from our pubs since inception.
- 302,575 pints per day saving from identification and resolution of water inefficiencies.
- Over 23,000 carvery meals rescued from waste, being resold with Too Good to Go, saving c.60 tonnes of CO_2e.
- Increasing our FTSE4Good Score to 4.

PERFORMANCE AND FINANCIAL REVIEW

Revenue

Revenue increased by 9.1% to £872.3 million (2022: £799.6 million), demonstrating the resilience and appeal of our predominantly community pub estate in the still-challenging macroeconomic environment and with momentum from strong drink and food sales. Our guests still want to visit our pubs for an affordable treat.

Like-for-like retail sales for the year as a whole were up 10.1% versus FY2022, showing positive momentum. Both drink sales and food sales have been strong.

Total retail sales in the Group's managed and franchised pubs for the 52-week period increased by 9.8% to £806.1 million (2022: £734.1 million) and total outlet sales increased by 10.0% to £832.8 million (2022: £757.2 million).

Within our pub business we operated 230 pubs under the traditional tenanted and leased model generating revenues of £39.5 million (2022: £42.4 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 grew to £35.6 million (2022: £33.1 million), benefitting from the continuing demand for UK staycations.

Profit

Underlying operating profit excluding income from associates was £124.8 million (2022: £115.4 million). Underlying operating margins were effectively flat compared to last year, with a margin of 14.3% (2022: 14.4%); managing price increases, product mix and efficiencies to preserve margins in a period of high cost inflation.

Due to the seasonal nature of the Group's business, the majority of profit is typically earned in the second half of the year. H1 margin was 10.6% and H2 margin was 17.6%.

Underlying EBITDA excluding income from associates increased to £170.3 million (2022: £159.6 million).

Underlying profit before tax increased to £35.5 million (2022: £27.7 million) and statutory loss before tax was £(20.7) million (2022: profit of £163.4 million), reflecting the impact of non-underlying items.

The difference between underlying profit before tax and profit before tax is £56.2 million of non-underlying items, which includes a £21.6 million net loss in respect of interest rate swap movements, £31.2 of impairments to the freehold and leasehold property values, £2.9 million of reorganisation, restructuring and relocation costs and £0.5 million of pension past service costs.

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 have been 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 £300 million bank facility, £120 million is now hedged. Overall, we are 93% hedged, providing significant protection against changes in interest rate movements that may occur during the year.

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 £35.5 million (2022: £27.7 million) upon which the underlying tax charge was £3.5 million (2022: £0.2 million). This gives an underlying tax rate of 9.9%. The effective tax rate is lower than the standard rate of corporation tax primarily due to the post-tax share of income from associates, additional deductions on which tax relief is available including super-deductions, and an adjustment to the deferred tax on property calculation relating to the prior period.

The total tax credit is £11.4 million (2022: charge of £26.2 million) on total loss before tax of £(20.7) million (2022: profit of £163.4 million), with an effective tax rate of 55.1%. The key drivers outlined above increase the tax rate (credit) on the total loss for the year, and there is a further positive impact due to the additional tax credits associated with PPE impairments, and the rate difference between current tax and deferred tax.

Non-underlying items

There is a net non-underlying charge of £56.2 million before tax and £41.3 million after tax.

The £56.2 million charge primarily relates to a £21.6 million net loss in respect of interest rate swap movements and a £31.2 million net impairment 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 £2.9 million of reorganisation, restructuring and relocation costs, including the reduction to head office costs detailed earlier, and £0.5 million of pension past service costs.

The tax credit relating to these non-underlying items is £14.9 million.

Earnings per share
Total earnings per share were (1.5) pence loss per share (2022: 21.7 pence per share). Underlying earnings per share were 5.1 pence per share (2022: 4.3 pence per share).

Capital expenditure and disposals
Capital expenditure was £65.3 million in the year, including property acquisitions of £0.4 million (2022: £70.1 million). We expect that capital expenditure will be around £50-£55 million in 2024, as we focus on the most effective use of our capital spend for our well-invested pubs.

During the year we generated £54.5 million of non-core pub disposal proceeds (net of VAT), which comprised £51.3 million proceeds net of £1.1 million fees and £2.1 million lease liabilities. The net proceeds were above book value.

We have concluded a further strategic assessment of assets and in FY2024 we expect to dispose of around £50 million of additional non-core properties.

Property
The Group has an annual external valuation of its properties and all pubs are 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 2023 and the results have been reflected in the full year accounts.

The carrying value of the estate remains £2.1 billion (2022: £2.1 billion). As a result of the valuation and leasehold impairment review there is an effective freehold impairment of £24.3 million and a leasehold impairment of £4.9 million. The valuation of non-core pubs and an increase in discount rates have contributed to the impairment. Importantly, despite the valuation reflecting a challenging macroeconomic environment, the value of the core estate has been maintained.

Share of Associate - Carlsberg Marston's Brewing Company (CMBC)
Included in our Group income statement is income from associates of £9.9 million (2022: £3.3 million), which is the Group's share of the statutory profit after tax generated by CMBC. CMBC's results show encouraging recovery from last year.

The Group also benefits from dividends received from CMBC, as shown in our Group cash flow statement. Dividends from associates of £21.6 million were received (2022: £19.4 million), the prior year dividend having primarily resulted from one-off working capital movements. Dividends in respect of CMBC's calendar financial year are paid in September in year (for January – June) and March the following year (for July – December). The dividends are generated from CMBC's operating cash flows adjusted for working capital and other movements.

We remain confident we will continue to receive future dividends from CMBC as its trading continues to improve and produce positive results.

Pensions
The balance on our final salary scheme was a £12.9 million surplus at 30 September 2023 (2022: £15.1 million surplus). This change has primarily been driven by the increase in the discount rate assumption, from 5.2% in October 2022 to 5.6% in October 2023, and a fall in asset values. The net annual cash contribution is c.£6m and is only expected to continue for the short term. The results of the next triennial valuation are expected in early 2024.

Debt and financing
The Group remained focused on cash management during the year and continued to prioritise cash preservation whilst maintaining an appropriate level of pub investment to ensure our pubs are well positioned to deliver our strategy.

The Group generated a net cash inflow for the period of £34.4 million including IFRS 16 (£29.3 million excluding IFRS 16). The net cash inflow would have been £63.4 million were it not for the working capital outflows of £29.0 million, principally comprising one-off cash flows arising from the final settlement following our transitional services agreement with CMBC. Future recurring cash flows are expected to be in line with our debt reduction plans, as part of which we are targeting debt reduction of at least £60 million in FY2024.

Net debt, excluding IFRS 16 lease liabilities, was £1,185 million, a reduction of £31 million from last year (2022: £1,216 million). Total net debt of £1,566 million (2022: £1,594 million) includes IFRS 16 lease liabilities of £380 million (2022: £378 million).

There was an operating cash inflow of £141.2 million in the year, ahead of last year (2022: £134.0 million), principally reflecting higher profits in the year. The operating cash inflow would have been £170.2 million were it not for the working capital outflows of £29.0 million.

As set out in our Interim Results, we successfully secured an amendment and extension (‘A&E’) to our banking facility and private placement to the end of January 2025. The revised £340 million facilities are comprised of a £300 million Revolving Credit Facility (the ‘RCF’) with the continued support of all of our existing banks and with two new banks keen to join the syndicate, together with a restatement of our current £40 million private placement. The RCF replaces the Group’s existing £280 million facility. The facility cost is variable: to be determined by the level of leverage or drawings from time to time alongside changes in the SONIA rate, together with issue costs. As previously reported, £120 million of the facility is hedged.

During the period and prior to the A&E, we secured the covenant amendments that we required, as reported in our 2022 financial results, again demonstrating the good relationship and support we continue to have with our banking group and private placement provider. No further covenant amendments have been required.

The Group anticipates commencing formal discussions with the RCF banks and private placement holder in early 2024 in order to secure the refinancing of these facilities to beyond January 2025. Whilst there is no guarantee, based on the successful A&E to the RCF and private placement during the period, and the positive conversations held to date, the Directors are confident that they would expect to be able to secure refinancing on similar terms.

The vast majority of our borrowings are long-dated and asset-backed, including the securitisation debt of c.£611 million, which has low interest rates in the current environment and a payment structure that reduces debt. The weighted average fixed interest rate payable by the Group on its securitised debt at 30 September 2023 was 5.1%. The Group has confidence in the loan to value of its debt, which is improving year on year and is currently 68% for debt excluding IFRS 16 lease liabilities and 53% for the securitisation debt.

The Group's financing, providing an appropriate level of flexibility and liquidity for the medium term, comprises:

- £300 million bank facility to January 2025 - at the year end £229 million was drawn providing headroom of £71 million and non-securitised cash balances of £10 million
- £40 million private placement in place until January 2025
- Seasonal overdraft of £5-£20 million, depending on dates – which was not used at the period end
- Long-term securitisation debt of approximately £611 million - at the year end £10 million of the £120 million securitisation liquidity facility had been utilised, which was repaid in October 2023.
- Long-term other lease related borrowings of £338 million
- £380 million of IFRS 16 leases

The securitisation is fully hedged to 2035. Other lease related borrowings are index-linked capped and collared at 1% and 4%. There are £120 million of floating-to-fixed interest rate swaps against the bank facility: £60 million is fixed at 4.03% until 2031 and £60 million is now fixed at 3.45% until 2029.

In summary, we have adequate cash headroom in our bank facility to provide operational liquidity. Importantly, c.93% 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 inflationary pressure. The Group's forecasts assume moderate sales price increases, operational costs that have not been secured rising broadly in line with inflation. We have also considered a severe but plausible downside scenario, incorporating a 5% reduction in sales volume as a consequence of the cost-of-living crisis and current inflationary pressures along with a reasonably plausible increase in costs compared to the base case forecast.

The conclusion of this assessment was that the Directors are satisfied that the Group has adequate liquidity and is not forecast to breach any covenants within its banking group, private placement or securitisation in its base case forecast. The Directors are also satisfied that the Group has adequate liquidity to withstand the severe but plausible downside scenario. However, in this severe but plausible forecast only, even after factoring in mitigations under the control of management such as reductions in discretionary spend, the Group would be required to obtain covenant amendments in respect of its Interest Cover covenant associated with the Group's bank and private placement borrowings in the outer quarters of the going concern period.

In such a severe but plausible downside, the Group could leverage the supportive relationship it has with its lenders and renegotiate the terms of its financing in advance of any covenant amendment being required or it would seek a covenant amendment. Whilst there is no guarantee, based on covenant amendments previously secured, the successful amend and extend to the RCF and private placement during the period and the continued positive relationships, the Directors would be very confident that they would be able to secure any such amendments. Accordingly, the financial statements continue to be prepared on the going concern basis, but with a material uncertainty arising from the current macroeconomic environment. Full details are included in Note 1.

CMBC: Due to the size of Marston's investment in CMBC, and the potential sensitivity of the recoverable amount of the investment to a change in assumptions, 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 and consequently no impairment has been recognised. A number of different potential downside scenarios were considered and changing each key assumption to the limit of the reasonably possible downside did not result in impairment. A severe downside scenario which considered a combination of reduced dividends together with a decrease in growth rate and a large increase in discount rate could lead to a small impairment.

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 and other UK listed entities to varying extents, 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.
- CMBC – recoverable amount of the investment in associate estimated on a value in use basis.

Notes:

- *Prior period was a 52-week period to 1 October 2022.*
- *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
For the 52 weeks ended 30 September 2023

	2023			2022		
	Underlying[1] £m	**Non-underlying[1] £m**	**Total £m**	Underlying[1] £m	Non-underlying[1] £m	Total £m
Revenue	**872.3**	**-**	**872.3**	799.6	-	799.6
Net operating expenses	**(747.5)**	**(34.6)**	**(782.1)**	(684.2)	26.7	(657.5)
Income from associates	**9.9**	**-**	**9.9**	3.3	-	3.3
Operating profit/(loss)	**134.7**	**(34.6)**	**100.1**	118.7	26.7	145.4
Finance costs	**(100.4)**	**-**	**(100.4)**	(91.9)	-	(91.9)
Finance income	**1.2**	**-**	**1.2**	0.9	0.5	1.4
Interest rate swap movements	**-**	**(21.6)**	**(21.6)**	-	109.2	109.2
Contingent consideration fair value movement	**-**	**-**	**-**	-	(0.7)	(0.7)
Net finance (costs)/income	**(99.2)**	**(21.6)**	**(120.8)**	(91.0)	109.0	18.0
Profit/(loss) before taxation	**35.5**	**(56.2)**	**(20.7)**	27.7	135.7	163.4
Taxation	**(3.5)**	**14.9**	**11.4**	(0.2)	(26.0)	(26.2)
Profit/(loss) for the period attributable to equity shareholders	**32.0**	**(41.3)**	**(9.3)**	27.5	109.7	137.2

The results for the current period reflect the 52 weeks ended 30 September 2023 and the results for the prior period reflect the 52 weeks ended 1 October 2022.

Earnings/(loss) per share:	**2023 p**	2022 p
Basic (loss)/earnings per share	**(1.5)**	21.7
Basic underlying[1] earnings per share	**5.1**	4.3
Diluted (loss)/earnings per share	**(1.5)**	21.4
Diluted underlying[1] earnings per share	**5.1**	4.3

[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

For the 52 weeks ended 30 September 2023

	2023 £m	2022 £m
(Loss)/profit for the period	**(9.3)**	137.2
Items of other comprehensive income that may subsequently be reclassified to profit or loss		
(Losses)/gains arising on cash flow hedges	**(3.0)**	23.9
Transfers to the income statement on cash flow hedges	**11.4**	17.0
Other comprehensive income/(expense) of associates	**0.8**	(0.8)
Tax on items that may subsequently be reclassified to profit or loss	**(2.1)**	(10.2)
	7.1	29.9
Items of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	**(9.2)**	23.3
Unrealised surplus on revaluation of properties	**95.6**	105.8
Reversal of past revaluation surplus	**(93.9)**	(34.3)
Tax on items that will not be reclassified to profit or loss	**(0.2)**	(20.5)
	(7.7)	74.3
Other comprehensive (expense)/income for the period	**(0.6)**	104.2
Total comprehensive (expense)/income for the period attributable to equity shareholders	**(9.9)**	241.4

The results for the current period reflect the 52 weeks ended 30 September 2023 and the results for the prior period reflect the 52 weeks ended 1 October 2022.

GROUP CASH FLOW STATEMENT

For the 52 weeks ended 30 September 2023

	2023 **£m**	2022 £m
Operating activities		
(Loss)/profit for the period	**(9.3)**	137.2
Taxation	**(11.4)**	26.2
Net finance costs/(income)	**120.8**	(18.0)
Depreciation and amortisation	**45.5**	44.2
Working capital movement	**(29.0)**	(31.8)
Non-cash movements	**12.3**	(30.4)
Decrease in provisions and other non-current liabilities	**(0.8)**	(7.0)
Difference between defined benefit pension contributions paid and amounts charged	**(7.6)**	(7.3)
Dividends from associates	**21.6**	19.4
Income tax (paid)/received	**(0.9)**	1.5
Net cash inflow from operating activities	**141.2**	134.0
Investing activities		
Interest received	**1.8**	0.9
Sale of property, plant and equipment and assets held for sale	**51.3**	9.9
Purchase of property, plant and equipment and intangible assets	**(65.3)**	(70.1)
Disposal of subsidiary	**-**	28.2
Finance lease capital repayments received	**2.5**	2.7
Net transfer (to)/from other cash deposits	**(0.1)**	0.2
Net cash outflow from investing activities	**(9.8)**	(28.2)
Financing activities		
Interest paid	**(93.1)**	(79.4)
Arrangement costs of bank facilities	**(4.0)**	-
Repayment of securitised debt	**(39.4)**	(37.4)
Advance of bank borrowings	**14.0**	25.0
Net repayments of capital element of lease liabilities	**(5.1)**	(8.5)
Repayment of other borrowings	**(5.0)**	(10.0)
Net cash outflow from financing activities	**(132.6)**	(110.3)
Net decrease in cash and cash equivalents	**(1.2)**	(4.5)

The cash flows for the current period reflect the 52 weeks ended 30 September 2023 and the cash flows for the prior period reflect the 52 weeks ended 1 October 2022.

GROUP BALANCE SHEET
As at 30 September 2023

	30 September 2023 £m	1 October 2022 £m
Non-current assets		
Intangible assets	**32.9**	35.1
Property, plant, and equipment	**2,064.8**	2,111.0
Interests in associates	**250.9**	260.3
Other non-current assets	**15.0**	17.9
Deferred tax assets	**0.9**	-
Retirement benefit surplus	**12.9**	15.1
Derivative financial instruments	**2.7**	1.8
	2,380.1	2,441.2
Current assets		
Derivative financial instruments	**1.1**	3.3
Inventories	**14.9**	12.6
Trade and other receivables	**26.9**	30.1
Current tax assets	**0.4**	-
Other cash deposits	**3.1**	3.0
Cash and cash equivalents	**26.5**	27.7
	72.9	76.7
Assets held for sale	**1.4**	4.8
	74.3	81.5
Current liabilities		
Borrowings	**(65.9)**	(64.1)
Trade and other payables	**(170.4)**	(204.4)
Current tax liabilities	**-**	(1.2)
Provisions for other liabilities and charges	**(1.4)**	(1.0)
	(237.7)	(270.7)
Non-current liabilities		
Borrowings	**(1,529.5)**	(1,560.6)
Derivative financial instruments	**(37.4)**	(25.5)
Other non-current liabilities	**(7.1)**	(6.5)
Provisions for other liabilities and charges	**(2.6)**	(3.3)
Deferred tax liabilities	**-**	(8.0)
	(1,576.6)	(1,603.9)
Net assets	**640.1**	648.1
Shareholders' equity		
Equity share capital	**48.7**	48.7
Share premium account	**334.0**	334.0
Revaluation reserve	**412.1**	417.1
Capital redemption reserve	**6.8**	6.8
Hedging reserve	**(44.4)**	(50.7)
Own shares	**(110.6)**	(110.9)
Retained earnings	**(6.5)**	3.1
Total equity	**640.1**	648.1

GROUP STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 30 September 2023

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 2 October 2022	48.7	334.0	417.1	6.8	(50.7)	(110.9)	3.1	648.1
Loss for the period	-	-	-	-	-	-	(9.3)	(9.3)
Remeasurement of retirement benefits	-	-	-	-	-	-	(9.2)	(9.2)
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	2.3	2.3
Losses on cash flow hedges	-	-	-	-	(3.0)	-	-	(3.0)
Transfers to the income statement on cash flow hedges	-	-	-	-	11.4	-	-	11.4
Tax on hedging reserve movements	-	-	-	-	(2.1)	-	-	(2.1)
Other comprehensive income of associates	-	-	-	-	-	-	0.8	0.8
Property revaluation	-	-	95.6	-	-	-	-	95.6
Property impairment	-	-	(93.9)	-	-	-	-	(93.9)
Deferred tax on properties	-	-	(2.5)	-	-	-	-	(2.5)
Total comprehensive (expense)/income	-	-	(0.8)	-	6.3	-	(15.4)	(9.9)
Share-based payments	-	-	-	-	-	-	0.4	0.4
Sale of own shares	-	-	-	-	-	0.3	(0.3)	-
Transfer disposals to retained earnings	-	-	(5.0)	-	-	-	5.0	-
Transfer tax to retained earnings	-	-	0.8	-	-	-	(0.8)	-
Changes in equity of associates	-	-	-	-	-	-	1.5	1.5
Total transactions with owners	-	-	(4.2)	-	-	0.3	5.8	1.9
At 30 September 2023	**48.7**	**334.0**	**412.1**	**6.8**	**(44.4)**	**(110.6)**	**(6.5)**	**640.1**

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**

NOTES

For the 52 weeks ended 30 September 2023

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 30 September 2023 (2022: 52 weeks ended 1 October 2022) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted within the UK and in accordance with the requirements of the Companies Act 2006. 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 inflationary pressures has led to lower underlying[1] profit and operating cashflows than would otherwise have resulted had these macroeconomic conditions not existed.

The Group's sources of funding include its securitised debt, a £300.0 million bank facility available until January 2025 (of which £229.0 million was drawn at 30 September 2023), a £40.0 million private placement in place until January 2025, 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 (of which £nil was drawn at 30 September 2023).

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 three covenants associated with the Group's bank and private placement borrowings for the non-securitised group of companies – Debt Cover, Interest Cover and Liquidity. The Debt Cover covenant is a measure of net borrowings to EBITDA which is a maximum of 4.5 times from 30 September 2023, reducing to 4.0 times from 29 June 2024. The Interest Cover covenant is a measure of EBITDA to finance charges, which is a minimum of 1.5 times from 30 September 2023, rising on a stepped basis to 1.75 times from 30 December 2023 and 2.0 times from 29 June 2024. The Liquidity covenant is a measure of headroom on the Group's bank and private placement borrowings, which is a minimum of £35.0 million on the last day of each fiscal month from 30 September 2023, increasing to £45.0 million from 27 July 2024.

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 inflationary pressure. The Group's base case forecasts assume moderate sales price increases and operational costs (that have not already been secured) rising broadly in line with inflation. On the Group's base case forecast, no covenants are forecast to be breached within the next 12 months and the Group has adequate liquidity throughout the going concern period.

The Directors have also considered a severe but plausible downside scenario, incorporating a 5% reduction in sales volume as a consequence of the cost-of-living crisis and current inflationary pressures along with a reasonably plausible increase in costs compared to the base case forecast. 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, in this severe but plausible downside scenario only, even after factoring in mitigations under the control of management such as reductions in discretionary spend, the Group would be required to obtain covenant amendments in respect of its Interest Cover covenant associated with the Group's bank and private placement borrowings in the outer quarters of the going concern period. In such a severe but plausible downside, the Group has a number of options. The Group would be very confident in leveraging the supportive relationship it has with its lenders and renegotiate the terms of its financing in advance of any covenant amendment being required or the Group would seek covenant amendments. Whilst there is no certainty since it requires the agreement of its lenders, based on covenant amendments previously secured, the successful amend and extend to the RCF and private placement during the period and the continued positive relationships, the Directors believe they will be able to secure any such amendments required.

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 as a result of the potential requirement to obtain covenant amendments in the severe but plausible downside scenario, which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and, therefore, to continue realising their assets and discharging their 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

The Group is considered to have one operating segment under IFRS 8 'Operating Segments' and therefore 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.

Geographical areas
All of the Group's revenue is generated in the UK. All of the Group's assets are located in the UK.

3 NON-UNDERLYING[1] ITEMS

	2023 £m	2022 £m
Non-underlying[1] operating items		
Impairment/(impairment reversal) of freehold and leasehold properties	**31.2**	(21.6)
Special discretionary pension increase	**0.5**	-
Reorganisation, restructuring and relocation costs	**2.9**	-
VAT claims	**-**	(5.1)
	34.6	(26.7)
Non-underlying[1] non-operating items		
Interest on VAT claims	**-**	(0.5)
Interest rate swap movements	**21.6**	(109.2)
Contingent consideration fair value movement	**-**	0.7
	21.6	(109.0)
Total non-underlying[1] items	**56.2**	(135.7)

Impairment/(impairment reversal) of freehold and leasehold properties
At 2 July 2023 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 and prior 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:

	2023 £m	2022 £m
Impairment of property, plant and equipment	**70.9**	48.2
Reversal of past impairment of property, plant, and equipment	**(40.0)**	(69.8)
Impairment of assets held for sale	**-**	0.3
Reversal of past impairment of assets held for sale	**-**	(0.6)
Valuation fees	**0.3**	0.3
	31.2	(21.6)

Special discretionary pension increase
A past service cost of £0.5 million (2022: £nil) arose in the current period as a result of a one-off, and discretionary, increase to pensions in payment for members of the Marston's PLC Pension and Life Assurance Scheme.

Reorganisation, restructuring and relocation costs
During the current period the Group commenced the implementation of an operational programme to simplify the business and drive efficiencies. The cost of implementing this programme in the current period was £2.9 million (2022: £nil).

VAT claims
The Group 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 recognised the estimated amounts receivable, including interest, in the prior period. The claims were settled by HMRC in the current 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 loss of £3.0 million (2022: gain of £23.9 million) has been recognised in the hedging reserve in respect of the effective portion of the fair value movement and £2.1 million (2022: £6.2 million) has been reclassified from the hedging reserve to underlying[1] finance costs in the income statement in respect of the cash paid in the period. A loss of £0.6 million (2022: £1.3 million) in respect of the ineffective portion of the fair value movement has been recognised within non-underlying[1] items in the income statement. An amount representing the cash paid of £1.4 million (2022: £1.5 million) has subsequently been transferred from non-underlying[1] items to underlying[1] finance costs to ensure that underlying[1] finance costs reflect the resulting fixed rate paid on the associated debt. As such there is an overall gain of £0.8 million (2022: £0.2 million) recognised within non-underlying[1] items. In addition, £9.3 million (2022: £10.8 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 a loss of £9.5 million (2022: gain of £111.2 million) in respect of the fair value movement has been recognised within non-underlying[1] items in the income statement. An amount representing the cash received of £3.6 million (2022: cash paid of £8.6 million) has subsequently been transferred from non-underlying[1] items to underlying[1] finance costs to ensure that underlying[1] finance costs reflect the resulting fixed rate paid on the associated debt. As such there is an overall loss of £13.1 million (2022: gain of £119.8 million) recognised within non-underlying[1] items, which is equal to the change in the carrying value of the interest rate swaps in the period.

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 prior period. The movement in fair value was recognised within non-underlying[1] items in the prior period.

Impact of taxation
The current tax charge relating to the above non-underlying[1] items amounts to £nil (2022: £1.4 million). The deferred tax credit relating to the above non-underlying[1] items amounts to £14.9 million (2022: charge of £24.6 million).

4 TAXATION

Income statement	2023 £m	2022 £m
Current tax		
Current period	**0.1**	0.2
Adjustments in respect of prior periods	**(0.3)**	(0.3)
Charge in respect of tax on non-underlying[1] items	**-**	1.4
	(0.2)	1.3
Deferred tax		
Current period	**5.5**	0.1
Adjustments in respect of prior periods	**(1.8)**	0.2
(Credit)/charge in respect of tax on non-underlying[1] items	**(14.9)**	24.6
	(11.2)	24.9
Taxation (credit)/charge reported in the income statement	**(11.4)**	26.2

Statement of comprehensive income	2023 £m	2022 £m
Remeasurement of retirement benefits	**(2.3)**	5.8
Impairment and revaluation of properties	**2.5**	14.7
Hedging reserve movements	**2.1**	10.2
Taxation charge reported in the statement of comprehensive income	**2.3**	30.7

The actual tax rate for the period is higher (2022: lower) than the standard rate of corporation tax of 22% (2022: 19%). The differences are explained below:

Tax reconciliation	2023 £m	2022 £m
(Loss)/profit before tax	**(20.7)**	163.4
(Loss)/profit before tax multiplied by the corporation tax rate of 22% (2022: 19%)	**(4.6)**	31.0
Effect of:		
Adjustments in respect of prior periods	**(2.1)**	(0.1)
Change in deferred tax asset not recognised	**1.0**	(8.5)
Net deferred tax credit in respect of land and buildings	**(1.2)**	(1.8)
Costs not deductible for tax purposes	**0.1**	-
Share of income of associate	**(2.2)**	(0.6)
Other amounts on which tax relief is available	**(1.2)**	(2.4)
Difference between deferred and current tax rates	**(1.2)**	8.6
Taxation (credit)/charge	**(11.4)**	26.2

The March 2021 Budget announced that the main rate of corporation tax would change from 19% to 25% with effect from 1 April 2023. As such the Group's results for the current period have been taxed at an effective rate of 22%. This change was substantively enacted on 24 May 2021. This has increased the Group's current tax charge accordingly. The deferred tax assets and liabilities at 30 September 2023 have been calculated at 25% (2022: 25%).

The Group is within the Pillar Two income taxes legislation, which is effective for financial periods beginning on or after 31 December 2023. The Group is currently assessing the impact of the legislation on its future financial performance and although it does not anticipate that the legislation will have a material impact on the Group's results or financial position, this cannot be confirmed until the assessment has been completed.

5 ORDINARY DIVIDENDS ON EQUITY SHARES

No dividends were paid during the current or prior period. A final dividend for 2023 has not been proposed.

6 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.

	2023		2022	
	Earnings £m	**Per share amount p**	Earnings £m	Per share amount p
Basic (loss)/earnings per share	**(9.3)**	**(1.5)**	137.2	21.7
Diluted (loss)/earnings per share	**(9.3)**	**(1.5)**	137.2	21.4
Underlying[1] earnings per share figures				
Basic underlying[1] earnings per share	**32.0**	**5.1**	27.5	4.3
Diluted underlying[1] earnings per share	**32.0**	**5.1**	27.5	4.3

	2023 m	2022 m
Basic weighted average number of shares	**633.3**	633.1
Dilutive potential ordinary shares	**-**	9.4
Diluted weighted average number of shares	**633.3**	642.5

In the current 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.

7 NET DEBT

Analysis of net debt	**2023 £m**	2022 £m
Cash and cash equivalents		
Cash at bank and in hand	**26.5**	27.7
	26.5	27.7
Financial assets		
Other cash deposits	**3.1**	3.0
	3.1	3.0
Debt due within one year		
Bank borrowings	**2.6**	0.7
Securitised debt	**(41.1)**	(39.0)
Lease liabilities	**(17.8)**	(11.2)
Other lease related borrowings	**0.4**	0.4
Other borrowings	**(10.0)**	(15.0)
	(65.9)	(64.1)
Debt due after one year		
Bank borrowings	**(228.2)**	(214.6)
Securitised debt	**(560.2)**	(601.3)
Lease liabilities	**(362.6)**	(366.6)
Other lease related borrowings	**(338.4)**	(338.0)
Other borrowings	**(40.0)**	(40.0)
Preference shares	**(0.1)**	(0.1)
	(1,529.5)	(1,560.6)
Net debt	**(1,565.8)**	(1,594.0)

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 (2022: £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	**2023 £m**	2022 £m
Decrease in cash and cash equivalents in the period	**(1.2)**	(4.5)
Increase/(decrease) in other cash deposits	**0.1**	(0.2)
Cash outflow from movement in debt	**35.5**	30.9
Net cash inflow	**34.4**	26.2
Non-cash movements and deferred issue costs	**(6.2)**	(16.3)
Movement in net debt in the period	**28.2**	9.9
Net debt at beginning of the period	**(1,594.0)**	(1,603.9)
Net debt at end of the period	**(1,565.8)**	(1,594.0)

	2023 £m	2022 £m
Net debt excluding lease liabilities	**(1,185.4)**	(1,216.2)
Lease liabilities	**(380.4)**	(377.8)
Net debt	**(1,565.8)**	(1,594.0)

Changes in liabilities arising from financing activities are as follows:

	2023			2022		
	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	**(1,624.7)**	**(20.4)**	**(1,645.1)**	(1,639.3)	(170.5)	(1,809.8)
Cash flow	**35.5**	**(0.1)**	**35.4**	30.9	16.3	47.2
Changes in fair value	**-**	**(13.1)**	**(13.1)**	-	133.8	133.8
Other changes	**(6.2)**	**-**	**(6.2)**	(16.3)	-	(16.3)
At end of the period	**(1,595.4)**	**(33.6)**	**(1,629.0)**	(1,624.7)	(20.4)	(1,645.1)

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 30 September 2023, which will be filed with the Registrar of Companies in due course. The statutory accounts for the 52 weeks ended 1 October 2022 have been delivered to the Registrar of Companies. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) for the 52 weeks ended 30 September 2023 included reference to a matter to which the auditor drew attention by way of emphasis without qualifying their report in respect of a material uncertainty in respect of going concern (unchanged from 2022), and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

(b) The Annual Report and Accounts for the 52 weeks ended 30 September 2023 will be posted to shareholders on 20 December 2023. 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, St Johns House, St Johns Square, Wolverhampton, WV2 4BH.

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 Board and management 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 facilitate comparison with industry peers.

Capital expenditure (CAPEX)
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 and intangible assets 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 debt issue costs paid. The Group uses FCF to determine bonus outcomes for Directors' remuneration.

	2023 **£m**	2022 £m
Net cash inflow from operating activities	**141.2**	134.0
Interest received	**1.8**	0.9
Interest paid	**(93.1)**	(79.4)
Arrangement costs of bank facilities	**(4.0)**	-
Free cash flow	**45.9**	55.5

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. LFL sales does not exclude those pubs that have changed format between managed and franchised.

The inclusion of a pub within LFL sales is considered on a daily basis and a pub is included within LFL sales for only the days within the trading period where it meets the definition of LFL. A site is considered fully open for trading if it generated more than £100 per day. If a site is acquired or disposed of during the two periods being compared, LFL sales includes the days where the site is fully open for trading in both periods.

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.

	52 weeks to **30 September** **2023** **£m**	52 weeks to 1 October 2022 £m	LFL %
LFL retail sales	**760.9**	691.1	10.1
Non-LFL retail sales	**45.2**	43.0	
Retail sales	**806.1**	734.1	9.8
Non-EPOS outlet sales	**26.7**	23.1	
Outlet sales	**832.8**	757.2	10.0

	9 weeks to **2 December** **2023** **£m**	9 weeks to 3 December 2022 £m	LFL %
LFL retail sales	**125.2**	116.6	7.4
Non-LFL retail sales	**6.3**	4.4	
Retail sales	**131.5**	121.0	8.7

Net asset value (NAV) per share
NAV per share is the value of net assets of the Group, divided by the number of shares in issue excluding own shares held.

	2023	2022
Net assets (£m)	**640.1**	648.1
Number of shares outstanding	**633.5**	633.3
NAV per share	**1.01**	1.02

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

	2023	2022
	£m	£m
Decrease in cash and cash equivalents	**(1.2)**	(4.5)
Increase/(decrease) in other cash deposits	**0.1**	(0.2)
Cash outflow from movement in debt	**35.5**	30.9
Net cash flow	**34.4**	26.2

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.

	2023	2022
	£m	£m
Decrease in cash and cash equivalents	**(1.2)**	(4.5)
Increase/(decrease) in other cash deposits	**0.1**	(0.2)
Cash outflow from movement in debt excluding lease liabilities	**30.4**	22.4
Net cash inflow	**29.3**	17.7
Non-cash movements and deferred issue costs	**1.5**	(1.6)
Movement in net debt excluding lease liabilities in the period	**30.8**	16.1
Net debt excluding lease liabilities at beginning of the period	**(1,216.2)**	(1,232.3)
Net debt excluding lease liabilities at end of the period	**(1,185.4)**	(1,216.2)

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 financial performance of the Group is presented within its total statutory results.

Operating profit/(loss)
Operating profit/(loss) is revenue less net 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.

	2023	2022
	£m	£m
Operating profit	**100.1**	145.4
Income from associates	**(9.9)**	(3.3)
Pub operating profit	**90.2**	142.1
Non-underlying operating items	**34.6**	(26.7)
Underlying operating profit excluding income from associates ('pub operating profit')	**124.8**	115.4
Revenue	**872.3**	799.6
Underlying operating margin	**14.3%**	14.4%

	26 weeks to 1 April 2023 £m	26 weeks to 30 September 2023 £m	**52 weeks to 30 September 2023 £m**
Operating profit	45.3	54.8	**100.1**
Income from associates	(2.2)	(7.7)	**(9.9)**
Non-underlying operating items	-	34.6	**34.6**
Underlying operating profit excluding income from associates ('pub operating profit')	43.1	81.7	**124.8**
Revenue	407.0	465.3	**872.3**
Underlying operating margin	10.6%	17.6%	**14.3%**

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

Profit/(loss) before tax
Profit/(loss) before tax is profit for the period presented before the tax charge/credit 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 franchised 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, amortisation and 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.

	2023 £m	2022 £m
Operating profit	**100.1**	145.4
Non-underlying operating items	**34.6**	(26.7)
Depreciation and amortisation	**45.5**	44.2
Underlying EBITDA including income from associates	**180.2**	162.9
Income from associates	**(9.9)**	(3.3)
Underlying EBITDA excluding income from associates	**170.3**	159.6

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

Year
The current year refers to the 52-week period ended 30 September 2023. The prior year refers to the 52-week period ended 1 October 2022.