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Marston's PLC
16 May 2023

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MARSTON'S PLC
RESULTS FOR THE 26 WEEKS ENDED 1 APRIL 2023

CONTINUED STRATEGIC MOMENTUM: REVENUE AND OPERATING PROFIT GROWTH, POSITIVE CASH FLOW AND CONTINUED DEBT REDUCTION

Marston's, a leading UK operator of 1,440 pubs, today announces its Interim Results for the 26 weeks ended 1 April 2023.

	Underlying*			Total*	
	2023	**2022**		**2023**	**2022**
Total revenue	**£407.0m**	**£369.7m**		**£407.0m**	**£369.7m**
Pub operating profit	**£43.1m**	**£39.9m**		**£43.1m**	**£45.9m**
Income/(loss) from associates	**£2.2m**	**£(2.0)m**		**£2.2m**	**£(2.0)m**
Profit/(loss) before Tax	**£(3.6)m**	**£(7.5)m**		**£(38.1)m****	**£25.6m**
Net profit/(loss)	**£(2.9)m**	**£(6.1)m**		**£(28.8)m**	**£19.4m**
Earnings/(loss) per share	**(0.5)p**	**(1.0)p**		**(4.5)p**	**3.1p**
Net cash inflow/(outflow)	**£11.5m**	**£(8.9)m**			
NAV per share	**£0.98**	**£0.71**			

** All activities relate to continuing operations*
***Includes a £34.5 million net loss in respect of interest rate swap movements; a partial reversal of the £109.2 million net gain reported in FY2022*

Revenue and pub operating profit growth, despite macroeconomic environment

- H1 like-for-like sales up 10.7% vs last year and up 17.9% vs FY2020
- Drink sales continue to perform well and food sales were encouraging, demonstrating the trading resilience of the Group's predominantly community pub estate
- Increase in pub operating profit: £43.1 million (H1 FY2022: £39.9 million); due to the seasonal nature of the business, the majority of profit is typically earned in H2
- Improved share of CMBC's profits: £2.2 million (H1 FY2022: loss of £(2.0) million)

Positive cash generation, debt reduction, continued NAV momentum and extension of bank funding

- Operating cash inflow of £69.9 million (H1 FY2022: £30.2 million) and net cash inflow for the period of £11.5 million (H1 FY2022: outflow of £8.9 million)
- Continued progress with debt reduction strategy: net debt excluding IFRS 16 lease liabilities reduced by £12.1 million to £1,204.1 million (FY2022: £1,216.2 million)
- Net asset value (NAV) per share of £0.98 (H1 FY2022: £0.71)
- £24.3 million generated from non-core strategic disposals to date at 39% ahead of net book value, with disposals totalling £50-60 million anticipated in FY2023
- Successfully secured amendment and extension of banking facilities totalling £340 million, comprising £300 million RCF and £40 million private placement
- 63% of the £65 million capital expenditure earmarked for FY2023 invested in H1, thereby maximising the benefit in H2

Continued evolution of pub portfolio

- Well-positioned, predominantly freehold pub estate, with limited exposure to city centres and community pubs continuing to benefit from consumer lifestyle changes

- Simplified estate categorisation with a core focus on mainstream market
- Completed 42 capital schemes in H1 with a further 14 planned for H2; £4m garden investment
- Majority of estate repositioning to be completed by FY2026

Continued momentum on 'Pubs to be proud of' strategy, driving strong results

- Progress on 'Back to a Billion' by 2026 sales and net debt targets
- Consecutive market outperformance in the first six months of the year
- Category evolution delivering encouraging results with food and drink spend per head up 9% and gross margin up 2%
- Significant improvement in guest satisfaction, team engagement and pub standards metrics
- 'Doing more to be proud of': progress on ESG agenda, including energy saving initiatives, charity community partnerships; positive approach to Diversity & Inclusion

Current trading and outlook

- Positive current trading, with like-for-like sales in the last six weeks +7.9% vs. last year. Key Easter and first May bank holiday dates were also strong
- Continuing to manage inflationary challenges within our control: energy costs secured with electricity fixed until end of H1 FY2024 and gas until end of March 2025; offsetting other costs through efficiencies and pricing strategies
- Trading patterns normalising with encouraging consumer resilience. Garden investment positions estate well for the summer
- Operating profit in line with expectations, with further cash generation and debt reduction expected

Commenting, Andrew Andrea, CEO said:

"The strategy which we outlined 18 months ago is progressing well and generating positive results which is pleasing. Our H1 performance clearly demonstrates that consumers remain as keen as ever to celebrate - and socialise within - the Great British Pub. The macro environment is becoming increasingly stable and recent evidence suggests that both the cost outlook, and consumer confidence, are steadily improving. The actions we are taking are building a demonstrably better business and Marston's predominantly community pub estate continues to benefit from changing consumer lifestyles.

"We continue to deliver upon our clear strategic objective to reduce debt and progress our path to profitability, albeit the seasonality of our trading profile means that the majority of the Group's profit is characteristically H2 weighted. We have invested ahead in H1, to capitalise on the benefits of this in H2, and remain on track to meet our operating profit, cash generation and debt reduction targets for the year. We look forward to delivering further positive progress as the year unfolds and remain confident that we have the strategy and the team in place to do so, maximising the opportunities open to us in the future and delivering shareholder value."

ENQUIRIES:

Marston's PLC	Tel: 01902 329516	**Instinctif Partners**	Tel: 020 7457 2010/2005
Andrew Andrea,	Chief Executive Officer	Justine Warren	
Hayleigh Lupino,	Chief Financial Officer	Matthew Smallwood	
		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 1440 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 reconciled to the interim financial information in note 17 to the interim financial statements.

GROUP OVERVIEW

H1 2023 PERFORMANCE OVERVIEW

We have continued to make progress in embedding our vision 'Pubs to be proud of', with a purpose 'to bring people together, to create happy, memorable, meaningful experiences', embodying our DNA of being a pub operator at our core, whilst focusing on consistently delivering high levels of guest being a pub operator at our core, whilst focusing on consistently delivering high levels of guest satisfaction and standards through our great pub teams.

Due to the seasonal nature of the Group's business, the majority of profit is typically earned in the second half of the year. We traded well despite the uncertain macroeconomic environment and cost inflation. We have worked hard to mitigate as many of these cost pressures as possible through a combination of cost efficiencies and pricing increases.

The Group benefits from an estate that is balanced across formats and locations, with well-invested pubs, and is set for future sustainable like-for-like growth and shareholder value creation over the medium to long term. What is clear is that people are continuing to visit our predominantly community pubs. The pub has historically been the place to fulfil that affordable socialising occasion, prioritising experience and leisure expenditure over bigger ticket spend.

Our primary corporate goals remain: reaching two £1 billion financial targets by 2026, namely the achievement of sales of £1 billion and reducing the Group's debt (excluding IFRS 16 lease liabilities) to below £1 billion. We continue to make progress towards both goals.

Trading

Revenue for the 26 weeks ended 1 April 2023 was £407.0 million (H1 2022: £369.7 million); 10.1% higher than the same period last year reflecting the continued rebuilding of trading momentum post Omicron.

Like-for-like sales for the period were up 10.7% vs last year, continuing to show strong like-for-like performance, encouraging recovery from COVID-19 and the positive impact of our strategy. Like-for-like sales were up 17.9% vs the same period in FY2020, which included a brief period of COVID-19 impact in late March 2020.

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

Underlying operating profit, excluding income from associates (CMBC) was £43.1 million (H1 2022: £39.9 million) with a margin of 10.6% (H1 2022: 10.8%), which was expected due to increased energy costs. Underlying operating profit, including income from associates, was £45.3 million (H1 2022: £37.9 million).

Debt and financing

We have 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. As previously reported, £120 million of the facility is hedged.

Net debt, excluding IFRS 16 lease liabilities, was £1,204.1 million, a reduction of £12.1 million from last financial year (2022: £1,216.2 million). Total net debt of £1,586.5 million (2022: £1,594.0 million) includes IFRS 16 lease liabilities of £382.4 million (2022: £377.8 million). The reduction in debt would have been greater without the H1 phasing of capital expenditure.

Property Disposals

Following a strategic asset review, in FY2023 we expect to dispose of £50-60 million of non-core and unlicensed properties. In this period, £24.3 million proceeds have been generated from these disposals, which achieved a price 39% higher than the net book value; earnings related to these properties were expected to be c.£3 million in H2 FY2023 and c.£6 million in FY2024.

Dividend

The Board confirms that given 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.

Current Trading and Outlook

Trading since the half year end is strong. Like-for-like sales in our managed and franchised pubs are +7.9%.

For the Easter weekend and first May bank holiday like-for-like sales were strong compared to last year, demonstrating that when weather conditions are right people want to go out to the pub. Over the Coronation weekend overall there was a sales uplift, with better performance on the days with good weather.

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

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

Energy: the Group's gas price is fixed until the end of March 2025 with no additional incremental spend anticipated. We have entered into a contract for the Group's electricity until the end of FY2024; the electricity for the six-month period from October 2023 to March 2024 is now secured. In keeping with our commitment to our ESG strategy, we continue to focus on making efforts to mitigate energy costs wherever possible, by adopting further energy efficient or saving schemes, such as our Going Green initiative which tracks energy consumption and rewards and incentivises responsible reduction.

Interest: the RCF 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. £120 million of the RCF facility is hedged. The securitisation is fully hedged until 2035 and overall we are 93% hedged, providing protection against changes in interest rate movements that may occur during the year.

Looking ahead, whilst the short-term outlook is of course uncertain, we remain confident in the future prospects of the Group. The level of customer demand we are experiencing is encouraging and underpins our confidence that we have the right strategy in place and that it is delivering positive progress on our strategic goals.

STRATEGIC PRIORITIES

Market Dynamics

Despite the challenging macroeconomic climate, the Group's performance over the last six months once again demonstrates the resilience of the pub sector eating and drinking out market, with consumer demand remaining encouraging. Reassuringly the key market dynamics, which we have broadly set out previously, remain consistent, enabling us to meet those market demands and reinforcing our conviction that our strategy is the right one:

Our guests still want to socialise outside the home: despite the economic pressure facing all consumers, the post-pandemic trend to seek experiences outside home remains intact.

'Brand Pub' is in strong demand: the strategy to create a business of 'Pubs to be proud of' ensuring all of our pubs welcome drinkers and diners equally, remains intact. The British public's strong affinity with the British pub remains deep-rooted.

Lifestyle changes favour community pubs versus town centres: we are seeing the 'work from home' trend evolve into a hybrid model whereby many people still work from home at least one day per week. This structural change plays to our benefit with over 90% of our estate located in suburban areas. Our local/community geography which characterises our pub estate has also largely insulated Marston's from the impact of rail and tube strike challenges.

Experience replacing convenience as reason to visit: our customer research cites 'ambience and atmosphere' as one of the key drivers of choice in selecting a pub, with good quality drink and food taken as a given. Our objective remains to offer great experiences in our pubs in a quality environment, supported by high quality products and stand-out service. Importantly, as a consequence of the inflationary backdrop we have had to pass some price increases through to our guests, with minimal pushback, demonstrating the importance of experience over price.

'Al fresco' drinking and eating is here to stay: we are investing c.£4 million across the estate, further improving our gardens to deliver an enhanced outdoor experience, ready for key summer trading. In addition, we have further developed our order and pay platform to improve the outdoor guest journey.

'Red Letter' occasions are key drivers of success: these key trading occasions have historically been important to our industry. However, we are observing that when those natural spikes in footfall occur, guests are still willing to spend more money on these key trading occasions. We saw this over the Christmas period where the core days were especially strong, and over Mother's Day, Easter, the first May bank holiday and Coronation celebrations most recently. Our marketing and trading focus is to ensure we maximise opportunities; to both delight our guests and to deliver growth.

Strategic and Operational Review

Our Strategy - 'Pubs to be proud of'

Our strategy, 'Pubs to be proud of', remains unchanged and relevant with the purpose 'to bring people together to create happy, memorable, meaningful experiences'. This embodies our cultural DNA of being a pub operator, whilst focusing on consistently delivering high levels of guest satisfaction and standards through our great pub teams.

Underpinning the strategy is a focus on three core pub goals relating to Guest Satisfaction, Team Engagement and Pub Standards, which are embedded in our incentive schemes across the organisation from licensees and team members to CEO. During 2022 we made strong progress against all of these objectives, and we continue to reinforce and measure success against these objectives in this financial year.

In launching the strategy 18 months ago, we undertook a strategic review of the estate and categorised our pubs into three trading formats, Community, Signature and Revere (whether food-led or wet-led), with the key engine room of the business falling into Community and Signature. We have evolved this review further by cluster planning. As a consequence, this review has helped us to identify gaps or further opportunities, whether acquisitions or disposals. This has been a key driver of the increase in disposals guidance set out in the report.

Our Corporate Goals

'Back to a Billion'

Our primary corporate goals are defined by two £1 billion financial targets by financial year 2026:

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

In achieving these goals we will deliver shareholder value in the medium to long term by creating a business that is growing sales, earnings and cash generation, reducing debt levels and increasing the underlying net asset value (NAV) through increasing returns.

Delivering our Goals: Making Progress on our Three Strategic Pillars

Guest Obsessed

This pillar ensures that our guests are at the heart of all of our decisions and everything we do. In addition to the evolution of the estate set out above we have made good progress in the last six months, with our Reputation satisfaction score continuing to improve overall and around a third of our estate is now achieving a 'Gold Standard' Score of 800 or more, reaching our benchmark target.

- *Guest Driven Category Management* - as previously advised, over the last 18 months we have transformed the quality of our food offer and simplified our food menus, resulting in significantly improved food satisfaction scores. Most recently two of our food menus won their classes at the MIDAS industry awards. In February, we launched a new drinks category strategy, significantly simplifying the range without compromising the offer or guest satisfaction. We expect this to deliver an enhanced margin benefit in the form of upselling opportunities, together with the benefits of lower stock levels.

- *Enhancing the Guest Journey* - we have now extended the rollout of the Collins booking system across our pub estate with tighter central control to ensure an improved booking experience for guests and our pub teams. In addition, we have enhanced the functionality of our Orderbee order and pay system, with particular focus on the outdoor trading opportunity in the summer.

Raise the Bar

This pillar focuses on ensuring we raise our standards in everything we do and are driven by continuous improvement. From an employee engagement perspective we use the Peakon engagement tool which comprises a monthly survey to all c.11,000 of our employees. Despite the economic challenges facing our teams, our Peakon score has been maintained and on a 12-month rolling basis over 80% of our teams have participated in at least one survey. This demonstrates our teams are engaged and want to talk to us.

It also shows they care and, importantly, that the actions we have taken to help our teams navigate through these challenging times have been positively received.

There are three component parts of our people strategy: Recruit, Reward and Retain. We continue to make good progress on all three.

- *Recruit* - we continue to drive more, and better quality, applications by leveraging innovative recruitment channels and working with media partners to maximise return on investment. The focus is on embedding our People Promise to deliver our strategy, with particular emphasis on employee advocacy.
- *Reward* - from a reward perspective, our primary focus over the last six months has been to protect the incomes of our lowest paid workers, providing one-off support to our lowest paid salaried workers and maintaining our position of paying our hourly paid workers ahead of the minimum wage. In addition, we have extended our 'Boost' programme for high achievers in our pub business to our Head Chefs.
- *Retain* - we continue to invest in our employees. From a training and development perspective, we were pleased to see our Attensi training platform win a bronze award for Best Learning Game in the Learning Technologies Awards 2022 against global entrants across all business sectors.

We will Grow

This pillar focuses on the actions that will drive the £1 billion sales target. We have made good progress in the first half year with sales 10% above last year and sales growth against the pre-pandemic period in financial year 2020. In order to continue this momentum, there are five key initiatives:

- *Effective Capital Expenditure - 'Make Capex Great'* - underpinning the estate repositioning described above is a comprehensive capital programme focused on deploying capital as efficiently as possible and maximising returns. In the first half year we completed 42 capital schemes and plan to complete a further 14 projects in the second half year.
- *Continued evolution of franchise* - as we have previously highlighted, the role of franchise-style agreements has proved pivotal in driving the performance of our community wet-led pubs. The model facilitates an owner-driver sales mentality, encouraging the Pub Partner to maximise sales for mutual benefit. We are now launching a trial of four food-led pubs to understand the extent to which this can be rolled out further through the estate.
- *Developing a Stronger Digital Agenda* - digital remains a huge opportunity for the business. Following the appointment of the Director of Digital, we have made good progress in the first half year, with enhancement of our digital assets including our pub websites, together with some targeted marketing activity, including credit-card linked schemes and other partner programmes. Whilst we remain at the early stages of our digital journey, we can clearly see the future sales opportunities from a targeted digital strategy.
- *Creating a stronger sales culture - 'Never Full, Fancy Another'* - core to delivering growth is driving a stronger cross-selling and return visit culture across the business under the mantra of 'Never Full, Fancy Another'. Whilst we are making good progress in this regard, we are reviewing our incentivisation, labour deployment and technology investments to embed this further.
- *Strategic estate opportunities* - as a result of the cluster planning exercise described above, we have identified opportunities within the portfolio. This enables us to evaluate potential acquisitions whether single site or portfolio opportunities in a more targeted way. Any acquisitions would be complementary to our existing estate. Following the Brains transaction, we now have a 'capital-light' model for non-organic growth.

ESG and sustainability - 'Doing more to be proud of'

We remain committed to being a responsible and sustainable business by developing our ESG agenda, which is aligned to our core strategy and embedded throughout our business under the banner 'Doing more to be proud of'. We continue to make good progress with some examples set out below:

Environment

- *Net zero:* to support our net zero pledge, we are working with the Zero Carbon Forum on establishing a robust data set (including Scope 3 emissions) and developing our 'Going Green' incentive scheme which tracks energy consumption by pub and rewards efficiency and responsible reduction.
- *Innovation and partnerships:* we now have 155 rapid electric vehicle charging points across our estate and are working with trusted partners on turning 'waste into resource', by repurposing cooking oil used in our pubs to create biofuels.
- *Food:* to support our pledge to reduce food waste (-50% by 2030), we are tackling waste: both at source by menu rationalisation and on site by partnering with Too Good to Go and local homeless charities.

Social

- *Diversity & Inclusion:* we are helping to cultivate and create an inclusive environment by embedding our strong Diversity & Inclusion strategy, brought to life by seven new employee-created and owned networks, helping us and our teams to respect, value, understand and celebrate all aspects of equality and diversity.
- *Employee Engagement:* we have a continuous loop for listening to our people, with an 80% aggregate participation rate in our employee engagement tool, Peakon.
- *Social and Charitable partnerships:* we are leveraging key corporate partnerships for positive change such as with the Trussell Trust (supporting those in food poverty), Latitude (employment opportunities for vulnerable groups) and Marston's Charitable Foundation (our people helping those in our communities who need it most).

Governance

- *Governance and strategy:* our people and planet positive approach to ESG is underpinned by good governance, which in turn is linked to corporate goals and measured through KPIs, for instance EHO scores and employee engagement.
- *Board diversity:* three of our seven board members and four of our seven Exec members are women, with two on each identifying as being from an ethnic minority background.
- *Strong policies, procedures and controls:* a programme of continuous review, improvement and ownership.

PERFORMANCE AND FINANCIAL REVIEW

Revenue
Revenue increased by 10.1% to £407.0 million (H1 2022: £369.7 million), principally reflecting continued recovery in trading momentum and more normalised sales trends.

Like-for-like sales for the period were up 10.7%, continuing to show strong like-for-like performance, encouraging recovery from COVID-19 and the positive impact of our strategy.

Retail sales in the Group's 1,191 managed and franchise pubs increased by 11.1% to £375.3 million (H1 2022: £337.9 million) and total outlet sales increased by 11.3% to £388.3 million (H1 2022: £348.9 million).

Within our pub business we operated 246 pubs under the traditional tenanted and leased model generating revenues of £18.7 million (H1 2022: £20.8 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 continue to grow and were £15.0 million (H1 2022: £13.6 million), benefitting from the demand for UK staycations.

Profit
Underlying operating profit excluding income from associates was £43.1 million (H1 2022: £39.9 million) with a margin of 10.6% (H1 2022: 10.8%). Underlying operating profit, including income from associates, was £45.3 million (H1 2022: £37.9 million). Underlying EBITDA, excluding income from associates, was £65.9 million (H1 2022: £62.0 million).

Due to the seasonal nature of the Group's business, the majority of profit is typically earned in the second half of the year. Underlying profit before tax was a loss of £(3.6) million (H1 2022: loss of £(7.5) million). Profit before tax was a loss of £(38.1) million (H1 2022: profit of £25.6 million).

Non-underlying items
The difference between underlying profit before tax and profit before tax is £34.5 million of non-underlying items, which constitutes a £34.5 million net loss in respect of interest rate swap movements. This is a partial reversal of the £109.2 million net gain in respect of interest rate swap movements reported in our FY2022 results.

Interest
Our borrowing is largely long-dated and asset-backed. The securitisation is in place until 2035 which provides financing security and high visibility of future cash flows; this is of particular importance in an environment where interest rates are rising to curb inflation. The securitisation is fully hedged until 2035. Other lease related borrowings are index linked, capped and collared at 1%-4%, providing protection against high inflation. Of our £300 million bank facility, £120 million is now hedged. Overall, we are 93% hedged for interest, providing significant protection against changes in interest rate movements that may occur during the year.

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

Carlsberg Marston's Brewing Company (CMBC)
The income from CMBC of £2.2 million (H1 2022: loss of £(2.0) million) reflects the Group's share of the statutory profit after tax generated by CMBC. CMBC's results show a recovery from last year and the impact of the Omicron variant during H1 2022.

Dividends from associates of £10.6 million were received (H1 2022: £nil). 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).

Taxation
The estimated underlying rate of tax is forecast at 19.4% (2022: 18.7%). This is below the statutory rate of corporation tax of 22% for the year, which is an average of six months at 19% and six months at 25%. The key drivers for the overall rate reduction are the post-tax share of income from associates, less the adverse rate difference on deferred tax movement.

Earnings per share
Underlying earnings per share were a loss of (0.5) pence per share (H1 2022: (1.0) pence loss per share). Earnings per share were a loss of (4.5) pence per share (H1 2022: 3.1 pence per share).

Net assets
Net asset value was £620.1 million (2022: £648.1 million, H1 2022: £451.8 million). The decrease from FY2022 is primarily due to the increase in liabilities from interest rate swaps. Net asset value per share was £0.98 (H1 2022: £0.71).

Capital expenditure and property disposals
Capital expenditure was £40.9 million in the period (H1 2022: £29.1 million). We expect that capital

expenditure will not exceed £65 million in 2023. Typically, capital expenditure is higher in H1, to maximise benefit in H2.

Following the strategic asset review, in FY2023 we expect to dispose of £50-60 million of non-core and unlicensed properties. Proceeds of £24.3 million have been realised in relation to these disposals, which achieved a price 39% higher than the net book value.

Debt and financing
The Group remained focused on cash management during the year to date. We 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 £11.5 million including IFRS 16 (£9.1 million excluding IFRS 16). Typically for H1, this would be an outflow; the inflow is principally due to the dividend from CMBC and the property disposal proceeds.

There was an operating cash inflow of £69.9 million in the half year, significantly ahead of last year (H1 2022: £30.2 million).

Net debt, excluding IFRS 16 lease liabilities, was £1,204.1 million, a reduction of £12.1 million from last financial year (2022: £1,216.2 million). Total net debt of £1,586.5 million (2022: £1,594.0 million) includes IFRS 16 lease liabilities of £382.4 million (2022: £377.8 million).

We have 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.

The Group therefore continues to have a range of medium and long-term financing providing an appropriate level of flexibility and liquidity for the medium term:

- £300 million bank facility to January 2025 - at the period end £217 million was drawn providing headroom of £83 million and non-securitised cash balances of £11.4 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 £621 million - at the period close there is £15 million of the £120 million securitisation liquidity facility utilised
- Long-term other lease related borrowings of £338 million
- £382 million of IFRS 16 leases

The securitisation is fully hedged to 2035. Additionally, the Group's mark to market position on its interest rate swaps has reduced substantially in view of interest rate rises. Other lease related borrowing is index-linked capped and collared at 1% and 4%. There are £120 million of swaps against the bank facility: £60 million is fixed at 4.0% 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.

Pensions
The balance on our final salary scheme was a £19.3 million surplus at 1 April 2023 (£15.1 million surplus at 1 October 2022). This improvement has been primarily driven by a small increase in the invested asset value during the period. The net annual cash contribution is c.£6m and is only expected to continue for the next 2-3 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 rising broadly in line with inflation and increased borrowing costs. We have also considered a severe but plausible downside scenario, incorporating reduced visits from the cost-of-living crisis.

The conclusion of this assessment was that the Directors are satisfied that the Group has adequate liquidity 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, the Group would be required to obtain covenant amendments in respect of its interest cover covenants across its banking group and private placement provider.

In a severe but plausible downside, the Group would leverage the supportive relationship it has with its lenders and seek covenant amendments. Whilst there is no guarantee, based on covenant amendments previously secured and the successful amend and extend to the RCF and private placement during the period, the Directors would expect to be able to secure any such amendments. Accordingly, the financial statements continue to be prepared on the going concern basis, but with material uncertainty arising from the current macroeconomic environment. Full details are included in Note 1.

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.

Responsibility Statement of the Directors in respect of the Interim Results

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the United Kingdom Financial Conduct Authority, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and

- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last Annual Report and Accounts.

The Directors of Marston's PLC are listed in the Marston's PLC Annual Report and Accounts for 1 October 2022. A list of current Directors is maintained on the Marston's PLC website: www.marstonspubs.co.uk.

By order of the Board:

Andrew Andrea
Chief Executive Officer
16 May 2023

Hayleigh Lupino
Chief Financial Officer
16 May 2023

GROUP INCOME STATEMENT (UNAUDITED)

For the 26 weeks ended 1 April 2023

		26 weeks to 1 April 2023			26 weeks to 2 April 2022			52 weeks to 1 October 2022
	Note	**Underlying £m**	**Non-underlying[1] £m**	**Total £m**	Underlying £m	Non-underlying[1] £m	Total £m	Total £m
Revenue	3	**407.0**	**-**	**407.0**	369.7	-	369.7	799.6
Operating expenses	4	**(363.9)**	**-**	**(363.9)**	(329.8)	6.0	(323.8)	(657.5)
Income/(loss) from associates		**2.2**	**-**	**2.2**	(2.0)	-	(2.0)	3.3
Operating profit		**45.3**	**-**	**45.3**	37.9	6.0	43.9	145.4
Finance costs	5	**(49.5)**	**-**	**(49.5)**	(45.8)	(0.1)	(45.9)	(91.9)
Finance income	5	**0.6**	**-**	**0.6**	0.4	0.5	0.9	1.4
Interest rate swap movements	4, 5	**-**	**(34.5)**	**(34.5)**	-	27.4	27.4	109.2
Contingent consideration fair value movement	4, 5	**-**	**-**	**-**	-	(0.7)	(0.7)	(0.7)
Net finance (costs)/income	4, 5	**(48.9)**	**(34.5)**	**(83.4)**	(45.4)	27.1	(18.3)	18.0
(Loss)/profit before taxation		**(3.6)**	**(34.5)**	**(38.1)**	(7.5)	33.1	25.6	163.4
Taxation	4, 6	**0.7**	**8.6**	**9.3**	1.4	(7.6)	(6.2)	(26.2)
(Loss)/profit for the period attributable to equity shareholders		**(2.9)**	**(25.9)**	**(28.8)**	**(6.1)**	**25.5**	**19.4**	**137.2**
(Loss)/earnings per share:								
Basic (loss)/earnings per share	7			**(4.5)**			3.1	21.7
Basic underlying								

(loss)/earnings per share	7	**(0.5)**	(1.0)	4.3
Diluted (loss)/earnings per share	7	**(4.5)**	3.0	21.4
Diluted underlying (loss)/earnings per share	7	**(0.5)**	(1.0)	4.3

GROUP STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the 26 weeks ended 1 April 2023

	26 weeks to 1 April 2023 £m	26 weeks to 2 April 2022 £m	52 weeks to 1 October 2022 £m
(Loss)/profit for the period	**(28.8)**	19.4	137.2
Items of other comprehensive income that may subsequently be reclassified to profit or loss			
(Losses)/gains arising on cash flow hedges	**(7.3)**	6.7	23.9
Transfers to the income statement on cash flow hedges	**6.6**	9.1	17.0
Other comprehensive income/(expense) of associates	**0.4**	1.5	(0.8)
Tax on items that may subsequently be reclassified to profit or loss	**0.1**	(4.0)	(10.2)
	(0.2)	13.3	29.9
Items of other comprehensive income that will not be reclassified to profit or loss			
Remeasurement of retirement benefits	**0.7**	16.1	23.3
Unrealised surplus on revaluation of properties	**-**	-	105.8
Reversal of past revaluation surplus	**-**	-	(34.3)
Tax on items that will not be reclassified to profit or loss	**(0.2)**	(4.0)	(20.5)
	0.5	12.1	74.3
Other comprehensive income for the period	**0.3**	25.4	104.2
Total comprehensive (expense)/income for the period	**(28.5)**	44.8	241.4

GROUP CASH FLOW STATEMENT (UNAUDITED)

For the 26 weeks ended 1 April 2023

	Note	**26 weeks to 1 April 2023 £m**	26 weeks to 2 April 2022 £m	52 weeks to 1 October 2022 £m
Operating activities				
(Loss)/profit for the period		**(28.8)**	19.4	137.2
Taxation		**(9.3)**	6.2	26.2
Net finance costs/(income)		**83.4**	18.3	(18.0)
Depreciation and amortisation		**22.8**	22.1	44.2
Working capital movement		**2.9**	(33.7)	(31.8)
Non-cash movements		**(8.8)**	1.5	(30.4)
Increase/(decrease) in provisions and other non-current liabilities		**0.5**	(0.4)	(7.0)
Difference between defined benefit pension contributions paid and amounts charged		**(3.8)**	(3.8)	(7.3)
Dividends from associates		**10.6**	-	19.4
Income tax received		**0.4**	0.6	1.5
Net cash inflow from operating activities		**69.9**	30.2	134.0
Investing activities				
Interest received		**1.2**	0.4	0.9
Sale of property, plant and equipment and assets held for sale		**23.4**	3.0	9.9
Purchase of property, plant and equipment and intangible assets		**(40.9)**	(29.1)	(70.1)
Disposal of subsidiary		**-**	28.2	28.2
Finance lease capital repayments received		**1.3**	1.4	2.7
Net transfer (to)/from other cash deposits	9	**(0.1)**	-	0.2
Net cash (outflow)/inflow from investing activities		**(15.1)**	3.9	(28.2)
Financing activities				
Interest paid		**(43.3)**	(43.0)	(79.4)
Arrangement costs of bank facilities		**(0.1)**	-	-
Repayment of securitised debt		**(19.3)**	(18.3)	(37.4)
Advance of bank borrowings		**2.0**	40.0	25.0
Net repayment of capital element of lease liabilities		**(2.4)**	(4.5)	(8.5)
Repayment of other borrowings		**-**	(5.0)	(10.0)
Net cash outflow from financing activities		**(63.1)**	(30.8)	(110.3)
Net (decrease)/increase in cash and cash equivalents	9	**(8.3)**	3.3	(4.5)

GROUP BALANCE SHEET (UNAUDITED)

As at 1 April 2023

1 April	2 April	1 October

	Note	2023 £m	2022 £m	2022 £m
Non-current assets				
Intangible assets		**34.7**	35.4	35.1
Property, plant and equipment	8	**2,118.5**	1,997.8	2,111.0
Interests in associates		**252.4**	276.8	260.3
Other non-current assets		**16.4**	14.9	17.9
Deferred tax assets		**1.2**	36.1	-
Retirement benefit surplus		**19.3**	4.9	15.1
Derivative financial instruments		**0.7**	-	1.8
		2,443.2	2,365.9	2,441.2
Current assets				
Derivative financial instruments		**-**	-	3.3
Inventories		**15.5**	12.8	12.6
Trade and other receivables		**28.3**	31.0	30.1
Other cash deposits	9	**3.1**	3.2	3.0
Cash and cash equivalents	9	**19.4**	35.5	27.7
		66.3	82.5	76.7
Assets held for sale		**1.7**	4.7	4.8
		68.0	87.2	81.5
Current liabilities				
Borrowings	9	**(69.4)**	(64.1)	(64.1)
Derivative financial instruments		**(1.7)**	-	-
Trade and other payables		**(212.9)**	(197.0)	(204.4)
Current tax liabilities		**(1.4)**	(1.7)	(1.2)
Provisions for other liabilities and charges		**(1.6)**	(1.1)	(1.0)
		(287.0)	(263.9)	(270.7)
Non-current liabilities				
Borrowings	9	**(1,539.6)**	(1,594.3)	(1,560.6)
Derivative financial instruments		**(54.6)**	(127.3)	(25.5)
Other non-current liabilities		**(6.7)**	(6.0)	(6.5)
Provisions for other liabilities and charges		**(3.2)**	(9.8)	(3.3)
Deferred tax liabilities		**-**	-	(8.0)
		(1,604.1)	(1,737.4)	(1,603.9)
Net assets		**620.1**	451.8	648.1
Shareholders' equity				
Equity share capital		**48.7**	48.7	48.7
Share premium account		**334.0**	334.0	334.0
Revaluation reserve		**415.7**	360.5	417.1
Capital redemption reserve		**6.8**	6.8	6.8
Hedging reserve		**(51.3)**	(69.6)	(50.7)
Own shares		**(110.8)**	(111.0)	(110.9)
Retained earnings		**(23.0)**	(117.6)	3.1
Total equity		**620.1**	451.8	648.1

GROUP STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the 26 weeks ended 1 April 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	-	-	-	-	-	-	(28.8)	(28.8)
Remeasurement of retirement benefits	-	-	-	-	-	-	0.7	0.7
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	(0.2)	(0.2)
Losses on cash flow hedges	-	-	-	-	(7.3)	-	-	(7.3)
Transfers to the income statement on cash flow hedges	-	-	-	-	6.6	-	-	6.6
Tax on hedging reserve movements	-	-	-	-	0.1	-	-	0.1
Other comprehensive income of associates	-	-	-	-	-	-	0.4	0.4
Total comprehensive expense	-	-	-	-	(0.6)	-	(27.9)	(28.5)
Share-based payments	-	-	-	-	-	-	0.4	0.4
Sale of own shares	-	-	-	-	-	0.1	(0.1)	-
Transfer disposals to retained earnings	-	-	(1.5)	-	-	-	1.5	-
Transfer tax to retained earnings	-	-	0.1	-	-	-	(0.1)	-
Changes in equity of associates	-	-	-	-	-	-	0.1	0.1
Total transactions with owners	-	-	(1.4)	-	-	0.1	1.8	0.5
At 1 April 2023	**48.7**	**334.0**	**415.7**	**6.8**	**(51.3)**	**(110.8)**	**(23.0)**	**620.1**

For the 26 weeks ended 2 April 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	-	-	-	-	-	-	19.4	19.4
Remeasurement of retirement benefits	-	-	-	-	-	-	16.1	16.1
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	(4.0)	(4.0)
Gains on cash flow hedges	-	-	-	-	6.7	-	-	6.7
Transfers to the income statement on cash flow hedges	-	-	-	-	9.1	-	-	9.1
Tax on hedging reserve movements	-	-	-	-	(4.0)	-	-	(4.0)
Other comprehensive income of associates	-	-	-	-	-	-	1.5	1.5
Total comprehensive income	-	-	-	-	11.8	-	33.0	44.8
Share-based payments	-	-	-	-	-	-	0.7	0.7
Sale of own shares	-	-	-	-	-	0.1	(0.1)	-
Changes in equity of associates	-	-	-	-	-	-	(0.1)	(0.1)
Total transactions with owners	-	-	-	-	-	0.1	0.5	0.6
At 2 April 2022	**48.7**	**334.0**	**360.5**	**6.8**	**(69.6)**	**(111.0)**	**(117.6)**	**451.8**

NOTES

1 BASIS OF PREPARATION OF INTERIM FINANCIAL INFORMATION

Marston's PLC (the 'Company') is a company domiciled in the UK. The consolidated interim financial information for the 26 weeks ended 1 April 2023 incorporates the financial statements of Marston's PLC and all of its subsidiary undertakings (the 'Group'). The Group is primarily an operator of pubs and bars across the UK.

This interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' in conformity with the requirements of the Companies Act 2006. The same accounting policies, presentation and methods of computation are followed in the interim financial information as applied in the Group's audited financial statements for the 52 weeks ended 1 October 2022 with the exception of new standards and interpretations that were only applicable from the beginning of the current financial year. The audited financial statements for the 52 weeks ended 1 October 2022 contain details of the new standards and interpretations now applicable to the Group. The adoption of these standards and interpretations has had no impact on the interim financial information.

The financial information for the 52 weeks ended 1 October 2022 is extracted from the audited accounts for that period, which have been delivered to the Registrar of Companies. The Auditor's report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. However, the Auditor's report contained an emphasis of matter relating to a material uncertainty that may cast significant doubt on the Group's and Company's ability to continue as a going concern.

The interim financial information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim financial information for the 26 weeks ended 1 April 2023 and the comparatives to 2 April 2022 are unaudited.

The Group does not consider that any standards or interpretations issued by the International Accounting Standards Board, but not yet applicable, will have a significant impact on the financial statements for the 52 weeks ending 30 September 2023.

Going concern

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

Prior to the current period end of 1 April 2023, the Group successfully secured an amendment and extension of its bank and private placement debt facilities to the end of January 2025. The revised £340.0 million debt facilities replaced the Group's existing £320.0 million facilities and are comprised of a £300.0 million revolving credit facility with the continued support of all its existing and two new banks, together with an amendment of its current £40.0 million private placement. £217.0 million of the £300.0 million revolving credit facility was drawn at 1 April 2023. The Group's sources of funding also includes its securitised debt.

There are two covenants associated with the Group's securitised debt. 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 5.0 times from 1 April 2023, reducing on a stepped basis to 4.5 times from 30 September 2023 and 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 1 July 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 £20 million on the last day of each fiscal month from 1 April 2023, increasing to £25 million from 1 July 2023, £35 million from 30 September 2023 and £45 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 interim 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 forecasts assume moderate sales price increases, operational costs rising broadly in line with inflation and increased borrowing costs.

The conclusion of this assessment was that the Directors are satisfied that the Group has adequate liquidity, is not forecast to breach any covenants within its banking group, private placement or securitisation in its base case forecast, and has sufficient resources to continue in operational existence for a period of at least 12 months from the date of approval of these interim financial statements. As such, the financial statements continue to be prepared on the going concern basis.

The Group has also considered a severe but plausible downside scenario, primarily incorporating reduced visits from the cost-of-living crisis impacting both food covers and drink volumes. 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, the Group would be required to obtain covenant amendments in respect of its Interest Cover covenants across its banking group and private placement provider during the going concern assessment period.

In a severe but plausible downside, the Group would leverage the supportive relationship it has with its lenders and seek covenant amendments. Whilst there is no guarantee, based on covenant amendments previously secured and the successful amendment and extension to the revolving credit facility and private placement during the period, the Directors would expect to be able to secure any such amendments. Accordingly, the financial statements continue to be prepared on the going concern basis, but with material uncertainty arising from the current macroeconomic environment.

2 SEGMENT REPORTING

The Group is considered to have one operating segment under IFRS 8 'Operating Segments' and no disclosures are presented. This is in line with the reporting to the chief operating decision maker and the operational structure of the business. The measure of profit or loss reviewed by the chief operating decision maker is underlying profit/loss before tax.

3 REVENUE

Revenue	**1 April 2023 £m**	2 April 2022 £m
Outlet sales	**388.3**	348.9
Wholesale sales	**14.0**	15.3
Revenue from contracts with customers	**402.3**	364.2
Rental income	**4.7**	5.5
Total revenue	**407.0**	369.7

4 NON-UNDERLYING ITEMS[1]

In order to illustrate the underlying trading performance of the Group, presentation has been made of performance measures excluding those items which it is considered would distort the comparability of the Group's results.

Non-underlying[1] 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[1] is higher than other items.

	1 April 2023 £m	2 April 2022 £m
Non-underlying[1] operating items		

Non-underlying[1] operating items		
VAT claims	-	(6.0)
	-	(6.0)
Non-underlying[1] non-operating items		
Net interest on net defined benefit liability/asset	-	0.1
Interest on VAT claims	-	(0.5)
Interest rate swap movements	**34.5**	(27.4)
Contingent consideration fair value movement	-	0.7
	34.5	(27.1)
Total non-underlying[1] items	**34.5**	(33.1)

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.

Net interest on net defined benefit liability/asset

The net interest on the net defined benefit liability/asset in respect of the Group's defined benefit pension plan was a charge of £0.3 million (2022: £0.1 million). In the prior period this charge was recognised within non-underlying[1] items. In the current period, the Group determined that this charge no longer met the criteria to be recognised within non-underlying[1] items and the current period charge has been presented within underlying items.

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 £7.3 million (2022: gain of £6.7 million) has been recognised in the hedging reserve in respect of the effective portion of the fair value movement and £1.7 million (2022: £3.5 million) has been reclassified from the hedging reserve to underlying finance costs in the income statement in respect of the cash paid in the period.

The ineffective portion of the fair value movement has been recognised within the income statement. The cash paid of £0.7 million (2022: £0.8 million) has been recognised within underlying finance costs to ensure that underlying finance costs reflect the resulting fixed rate paid on the associated debt. The remainder of the ineffective portion of the fair value movement, a gain of £1.0 million (2022: £0.5 million), has been recognised within non-underlying[1] items. In addition £4.9 million (2022: £5.6 million) of the balance remaining in the hedging reserve in respect of discontinued cash flow hedges has been reclassified to the income statement within non-underlying[1] items.

For interest rate swaps which were not designated as part of a hedging relationship the fair value movement has been recognised within the income statement. The cash paid of £0.2 million (2022: £5.2 million) has been recognised within underlying finance costs to ensure that underlying finance costs reflect the resulting fixed rate paid on the associated debt. The remainder of the fair value movement, a loss of £30.6 million (2022: gain of £32.5 million), equal to the change in the carrying value of the interest rate swaps in the period, has been recognised within non-underlying[1] items.

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 in 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: £2.0 million). The deferred tax credit relating to the above non-underlying[1] items amounts to £8.6 million (2022: charge of £5.6 million).

5 FINANCE COSTS AND INCOME

	1 April 2023 £m	2 April 2022 £m
Finance costs		
Bank borrowings	**10.3**	5.9
Securitised debt	**16.5**	17.9
Lease liabilities	**9.7**	9.4
Other lease related borrowings	**11.0**	10.6
Other interest payable and similar charges	**2.0**	2.0
	49.5	45.8
Non-underlying[1] finance costs		
Net interest on net defined benefit liability/asset	-	0.1
	-	0.1
Total finance costs	**49.5**	45.9

Finance income

Finance lease and other interest receivable	**(0.6)**	(0.4)
	(0.6)	(0.4)
Non-underlying[1] finance income		
Interest on VAT claims	**-**	(0.5)
	-	(0.5)
Total finance income	**(0.6)**	(0.9)
Interest rate swap movements		
Hedge ineffectiveness on cash flow hedges (net of cash paid)	**(1.0)**	(0.5)
Change in carrying value of interest rate swaps	**30.6**	(32.5)
Transfer of hedging reserve balance in respect of discontinued hedges	**4.9**	5.6
	34.5	(27.4)
Contingent consideration fair value movement		
Contingent consideration fair value movement	**-**	0.7
	-	0.7
Net finance costs	**83.4**	18.3

6 TAXATION

The underlying taxation credit for the 26 weeks ended 1 April 2023 has been calculated by applying an estimate of the underlying effective tax rate for the 52 weeks ending 30 September 2023 of 19.4% (26 weeks ended 2 April 2022: 18.7%).

	1 April 2023 £m	2 April 2022 £m
Current tax	**-**	2.7
Deferred tax	**(9.3)**	3.5
	(9.3)	6.2

The taxation (credit)/charge includes a current tax charge of £nil (2022: £2.0 million) and a deferred tax credit of £8.6 million (2022: charge of £5.6 million) relating to the tax on non-underlying[1] items.

The March 2021 Budget announced that the main rate of corporation tax would change from 19% to 25% with effect from 1 April 2023. This change was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly.

7 EARNINGS PER ORDINARY SHARE

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit 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 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 loss per share figures are presented to exclude the effect of non-underlying[1] items.

	1 April 2023		2 April 2022	
	Earnings £m	**Per share amount p**	Earnings £m	Per share amount p
Basic (loss)/earnings per share	**(28.8)**	**(4.5)**	19.4	3.1
Diluted (loss)/earnings per share	**(28.8)**	**(4.5)**	19.4	3.0
Underlying loss per share figures				
Basic underlying loss per share	**(2.9)**	**(0.5)**	(6.1)	(1.0)
Diluted underlying loss per share	**(2.9)**	**(0.5)**	(6.1)	(1.0)

	1 April 2023 m	2 April 2022 m
Basic weighted average number of shares	**633.3**	633.1
Dilutive potential ordinary shares	**-**	8.1
Diluted weighted average number of shares	**633.3**	641.2

8 PROPERTY, PLANT AND EQUIPMENT

	£m
Net book amount at 2 October 2022	2,111.0
Additions	41.1
Net transfers to assets held for sale and disposals	(13.2)

Net transfers to assets held for sale and disposals	[illegible]
Depreciation, revaluation and other movements	(20.4)
Net book amount at 1 April 2023	**2,118.5**

	£m
Net book amount at 3 October 2021	1,984.2
Additions	35.0
Net transfers to assets held for sale and disposals	(1.4)
Depreciation, revaluation and other movements	(20.0)
Net book amount at 2 April 2022	**1,997.8**

9 NET DEBT

Analysis of net debt	**1 April 2023 £m**	1 October 2022 £m
Cash and cash equivalents		
Cash at bank and in hand	**19.4**	27.7
	19.4	27.7
Financial assets		
Other cash deposits	**3.1**	3.0
	3.1	3.0
Debt due within one year		
Bank borrowings	**2.5**	0.7
Securitised debt	**(40.1)**	(39.0)
Lease liabilities	**(17.2)**	(11.2)
Other lease related borrowings	**0.4**	0.4
Other borrowings	**(15.0)**	(15.0)
	(69.4)	(64.1)
Debt due after one year		
Bank borrowings	**(215.0)**	(214.6)
Securitised debt	**(581.1)**	(601.3)
Lease liabilities	**(365.2)**	(366.6)
Other lease related borrowings	**(338.2)**	(338.0)
Other borrowings	**(40.0)**	(40.0)
Preference shares	**(0.1)**	(0.1)
	(1,539.6)	(1,560.6)
Net debt	**(1,586.5)**	(1,594.0)

Net debt excluding lease liabilities	**(1,204.1)**	(1,216.2)
Lease liabilities	**(382.4)**	(377.8)
Net debt	**(1,586.5)**	(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 £5.8 million (at 1 October 2022: £5.6 million), which relates to collateral held in the form of cash deposits. These amounts are considered to be restricted cash. In addition, any 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	**1 April 2023 £m**	2 April 2022 £m
(Decrease)/increase in cash and cash equivalents in the period	**(8.3)**	3.3
Increase in other cash deposits	**0.1**	-
Cash outflow/(inflow) from movement in debt	**19.7**	(12.2)
Net cash inflow/(outflow)	**11.5**	(8.9)
Non-cash movements and deferred issue costs	**(4.0)**	(6.9)
Movement in net debt in the period	**7.5**	(15.8)
Net debt at beginning of the period	**(1,594.0)**	(1,603.9)
Net debt at end of the period	**(1,586.5)**	(1,619.7)

10 FINANCIAL INSTRUMENTS

The only financial instruments which the Group holds at fair value are derivative financial instruments, which are classified as at fair value through profit or loss or derivatives used for hedging.

Fair value hierarchy

IFRS 13 'Fair Value Measurement' requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the measurements, according to the following levels:

Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - inputs for the asset or liability that are not based on observable market data.

The tables below show the levels in the fair value hierarchy within which fair value measurements have been categorised:

Assets as per the balance sheet	**1 April 2023** Level 1 £m	Level 2 £m	Level 3 £m	Total £m	1 October 2022 Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	**-**	**0.7**	**-**	**0.7**	-	5.1	-	5.1

Liabilities as per the balance sheet	**1 April 2023** Level 1 £m	Level 2 £m	Level 3 £m	Total £m	1 October 2022 Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivative financial instruments	**-**	**56.3**	**-**	**56.3**	-	25.5	-	25.5

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior period. The Level 2 fair values of derivative financial instruments have been obtained using a market approach and reflect the estimated amount the Group would expect to pay or receive on termination of the instruments, adjusted for the Group's own credit risk. The Group utilises valuations from counterparties who use a variety of assumptions based on market conditions existing at each balance sheet date. The fair values are highly sensitive to the inputs to the valuations, such as discount rates, analysis of credit risk and yield curves.

The fair values of all the Group's other financial instruments are equal to their book values, with the exception of borrowings. The carrying amount less impairment provision of finance lease receivables, trade receivables and other receivables, and the carrying amount of other cash deposits, cash and cash equivalents, trade payables and other payables, are assumed to approximate their fair values. The carrying amount (excluding unamortised issue costs) and the fair value of the Group's borrowings are as follows:

	Carrying amount 1 April 2023 £m	1 October 2022 £m	**Fair value** 1 April 2023 £m	1 October 2022 £m
Bank borrowings	**217.0**	215.0	**217.0**	215.0
Securitised debt	**623.9**	643.2	**537.6**	556.7
Lease liabilities	**382.4**	377.8	**382.4**	377.8
Other lease related borrowings	**361.7**	361.7	**361.7**	361.7
Other borrowings	**55.0**	55.0	**55.0**	55.0
Preference shares	**0.1**	0.1	**0.1**	0.1
	1,640.1	1,652.8	**1,553.8**	1,566.3

11 SIGNIFICANT EVENTS AND TRANSACTIONS

Prior to the current period end of 1 April 2023, the Group successfully secured an amendment and extension of its bank and private placement debt facilities to the end of January 2025.

The revised £340.0 million debt facilities replaced the Group's existing £320.0 million facilities and are comprised of a £300.0 million revolving credit facility with the continued support of all its existing and two new banks, together with an amendment of its current £40.0 million private placement.

Further detail regarding significant events and transactions that have taken place since 1 October 2022 is provided outside of the interim financial
statements in the Group Overview and the Performance and Financial Review.

12 RELATED PARTY TRANSACTIONS

Details of related party transactions with the Group's associate, Carlsberg Marston's Limited, are as follows:

	Transaction amount 1 April 2023 £m	2 April 2022 £m	**Balance outstanding** 1 April 2023 £m	1 October 2022 £m
Purchase of goods	**(86.9)**	(80.6)	**(38.2)**	(34.3)
Rendering of services	**-**	1.7	**-**	-
Settlement of liabilities on behalf on associate	**-**	120.9	**-**	(5.9)
Dividends from associates	**10.6**	-	**-**	-
Receipt of cash on behalf of associate	**(1.2)**	(234.9)	**-**	(0.5)

13 CAPITAL COMMITMENTS

Capital expenditure authorised and committed at the period end but not provided for in this interim financial information was £2.6 million (at 1 October 2022: £4.2 million).

14 SEASONALITY OF INTERIM OPERATIONS

The Group's financial results and cash flows have historically been subject to seasonal trends between the first and second half of the financial year. Traditionally, the second half of the financial year sees higher revenue and profitability, as a result of better weather conditions.

There is no assurance that this trend will continue in the future.

15 EVENTS AFTER THE BALANCE SHEET DATE

An interim dividend has not been proposed for the current period. No interim dividend was paid for the prior period.

16 PRINCIPAL RISKS AND UNCERTAINTIES

The Group set out on pages 45 to 52 of its 2022 Annual Report and Accounts the principal risks and uncertainties that could impact its performance. These risks and uncertainties were as follows:

Market and operational
During the current cost of living crisis, including high inflation and consumer price sensitivity, there is an increased risk that the Group's prices become uncompetitive. Inflationary pressure on costs might be difficult to pass on, resulting in reduced margin.

Failure to attract or retain the best people can impact the Group's pubs' performance. Recruitment is more competitive due to a tightening labour market and wage inflation.

Disruption to key suppliers, particularly those closely involved with the Group's day-to-day activities or shortage of commodities could significantly impact the Group's operations. Disruption to food supplies from the EU due to administration, or customs checks, could impact upon the Group's offering to guests if the Group was unable to find substitutions.

These factors could mean over time that the Group's pubs fail to attract guests, or do not reflect changing preferences, or offer poor service or quality.

Pandemic
There is a risk that a variant of COVID-19 or another form of pandemic causes infection rates to increase, leading to future restrictions on the public and trading regulations imposed on pubs and lodges.

Liquidity
The liquidity of the business could come under strain as a result of economic pressure on the pub sector, particularly if rising prices cannot be passed on to consumers.

Health and safety, food safety
Breaches of health and safety regulations and food standards attract media attention and high penalties. Public concern over allergens still remains high. There is a risk that information is collected incorrectly from the Group's suppliers and/or misinterpreted for the Group's menu items. There is also a risk if a team member mis-advises a guest on ingredients or serves the wrong meal.

Increased regulation directly affecting the Group, or its suppliers, could increase the complexity of the information to be provided and the cost of compliance.

Financial covenants, pension fund deficit, and accounting controls
There is the risk of a breach of the covenants with the Group's lenders, incorrect reporting of financial results and unauthorised transactions.

The pension funding deficit might increase if investment yields fall.

Political and economic
Changes to Government policy impact upon the cost base for operating pubs, either positively or negatively. At the same time, economic factors such as the current period of inflation and high demand for certain commodities and products, also impacts the Group's operating costs and those of the Group's supply chain. Legislative changes also impact business, particularly in recent times the move to decarbonise

costs and those of the Group's supply chain. Legislative changes also impact business, particularly in recent times the move to decarbonise the economy. It remains uncertain how successful the Government and the Bank of England can be in curbing inflation pressure in the year ahead and what the impact will be on consumer confidence.

There is a risk that inflation continues to rise, leading to higher interest rates, increased unemployment, and low consumer confidence.

Information technology

Threats to IT are both external and internal and could result in a network outage, loss, theft or corruption of data or denial of service. The risk extends to the companies that the Group shares data with for processing or storage on the Group's behalf.

Energy

There is a risk that the transition to Net Zero emissions could result in higher costs as a result of investment in new technology, and from sourcing a higher proportion of renewable energy.

The principal risks and uncertainties above have not changed significantly since the Annual Report and Accounts was published and are expected to remain present for the second half of the financial year.

17 ALTERNATIVE PERFORMANCE MEASURES (APMs)

In addition to financial measures, these interim results include financial measures that are not defined or recognised under IFRS, 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 results.

Definitions of APMs, along with the reconciliation of the APMs used to the Group's strategy, remain unchanged from the 2022 Annual Report and Accounts, commencing on page 167 of that report.

Free cash flow (FCF)

	Interim financial information reference	**26 weeks to 1 April 2023 £m**	26 weeks to 2 April 2022 £m	52 weeks to 1 October 2022 £m
Net cash inflow from operating activities	Cash flow statement	**69.9**	30.2	134.0
Interest received	Cash flow statement	**1.2**	0.4	0.9
Interest paid	Cash flow statement	**(43.3)**	(43.0)	(79.4)
Arrangement costs of bank facilities	Cash flow statement	**(0.1)**	-	-
Free cash flow		**27.7**	(12.4)	55.5

Like-for-like (LFL) sales

	Interim financial information reference	**26 weeks to 1 April 2023 £m**	26 weeks to 2 April 2022 £m	LFL %
LFL retail sales		**357.4**	322.9	10.7
Non-LFL retail sales		**17.9**	15.0	
Retail sales		**375.3**	337.9	
Non-EPOS outlet sales		**13.0**	11.0	
Outlet sales	Note 3	**388.3**	348.9	

	Interim financial information reference	**26 weeks to 1 April 2023 £m**	26 weeks to 28 March 2020 £m	LFL %
LFL retail sales		**356.5**	302.4	17.9
Non-LFL retail sales		**18.8**	4.9	
Retail sales		**375.3**	307.3	
Non-EPOS outlet revenue		**13.0**	11.4	
Outlet Sales	Note 3	**388.3**	318.7	

	6 weeks to 13 May 2023 £m	6 weeks to 14 May 2022 £m	LFL %
LFL retail sales	**93.4**	86.6	7.9
Non-LFL retail sales	**4.6**	3.0	
Retail sales	**98.0**	89.6	

Net asset value (NAV) per share

	Interim financial information	**1 April**	2 April	1 October

	information reference	2023 £m	2022 £m	2022 £m
Net assets	Balance sheet	**620.1**	451.8	648.1
Basic weighted average number of shares	Note 7	**633.3**	633.1	633.1
NAV per share		**0.98**	0.71	1.02

Net cash flow (NCF)

	Interim financial information reference	**26 weeks to 1 April 2023 £m**	26 weeks to 2 April 2022 £m	52 weeks to 1 October 2022 £m
(Decrease)/increase in cash and cash equivalents in the period	Note 9	**(8.3)**	3.3	(4.5)
Increase/(decrease) in other cash deposits	Note 9	**0.1**	-	(0.2)
Cash outflow/(inflow) from movement in debt	Note 9	**19.7**	(12.2)	30.9
Net cash flow		**11.5**	(8.9)	26.2

Net debt

	Interim financial information reference	**26 weeks to 1 April 2023 £m**	26 weeks to 2 April 2022 £m	52 weeks to 1 October 2022 £m
(Decrease)/increase in cash and cash equivalents in the period	Note 9	**(8.3)**	3.3	(4.5)
Increase/(decrease) in other cash deposits	Note 9	**0.1**	-	(0.2)
Cash outflow/(inflow) from movement in debt excluding lease liabilities		**17.3**	(16.7)	22.4
Net cash inflow/(outflow)		**9.1**	(13.4)	17.7
Non-cash movements and deferred issue costs		**3.0**	(0.8)	(1.6)
Movement in net debt excluding lease liabilities in the period		**12.1**	(14.2)	16.1
Net debt excluding lease liabilities at beginning of the period		**(1,216.2)**	(1,232.3)	(1,232.3)
Net debt excluding lease liabilities at end of the period	Note 9	**(1,204.1)**	(1,246.5)	(1,216.2)

Underlying earnings before interest, tax, depreciation, and amortisation (Underlying EBITDA)

	Interim financial information reference	**26 weeks to 1 April 2023 £m**	26 weeks to 2 April 2022 £m	52 weeks to 1 October 2022 £m
Operating profit	Income statement	**45.3**	43.9	145.4
Non-underlying items	Note 4	**-**	(6.0)	(26.7)
Depreciation and amortisation	Cash flow statement	**22.8**	22.1	44.2
Underlying EBITDA including (income)/loss from associate		**68.1**	60.0	162.9
(Income)/loss from associates	Income statement	**(2.2)**	2.0	(3.3)
Underlying EBITDA excluding (income)/loss from associate		**65.9**	62.0	159.6

Underlying operating margin

	Interim financial information reference	**26 weeks to 1 April 2023 £m**	26 weeks to 2 April 2022 £m	52 weeks to 1 October 2022 £m
Operating profit	Income statement	**45.3**	43.9	145.4
(Income)/loss from associates	Income statement	**(2.2)**	2.0	(3.3)
Non-underlying operating items	Note 4	**-**	(6.0)	(26.7)
Underlying operating profit excluding income/(loss) from associates ('pub operating profit')		**43.1**	39.9	115.4
Revenue	Note 2	**407.0**	369.7	799.6
Underlying operating margin		**10.6%**	10.8%	14.4%

18 INTERIM RESULTS

The interim results were approved by the Board on 16 May 2023.

19 COPIES

Copies of these results are available on the Marston's PLC website (www.marstonspubs.co.uk) and on request from the General Counsel & Company Secretary, Marston's PLC, St Johns House, St Johns Square, Wolverhampton, WV2 4BH.

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