



27 November 2019

**MARSTON'S PLC
PRELIMINARY RESULTS FOR THE 52 WEEKS ENDED 28 SEPTEMBER 2019**

Improved operating cash flow, dividend maintained, debt reduction plans progressing well

- **Revenue growth in all trading segments, earnings momentum in drinks businesses**

	Underlying		Statutory	
	2019	2018	2019	2018
Revenue	£1,174m	£1,140m	£1,174m	£1,141m
Profit/(loss) before tax	£101.0m	£104.0m	£(20.0)m	£54.3m
Earnings/(loss) per share	13.5p	13.9p	(2.8)p	7.1p

- Underlying profit growth in Taverns and Beer Company
- Statutory result principally reflects non-cash impact of asset impairment and swap mark-to-market movements
- **Sales growth in both pub segments**
 - LFL sales growth of 0.8% with growth in both wet-led and food pub segments
 - Continued sales and earnings growth in Taverns impressive against strong comparatives
 - Average profit per pub in line with last year reflecting balanced pub portfolio
 - 8 new-build pub-restaurants, 15 wet-led pubs and 2 lodges opened in the year
- **Continued growth in Brewing against challenging comparatives**
 - Total volumes up 1%, strong growth in independent free trade
 - 2.5 million composite barrels of beer delivered to one in four of UK pubs
 - Completion of Charles Wells integration delivering £4 million targeted synergies
 - New 15 year licence agreement signed with Shipyard
- **Operating cash flow +7%, fixed charge cover maintained; Net debt of £1,399 million in line with expectations**
 - Leverage before leasing of 4.7x, strong fixed charge cover maintained at 2.5x
 - CROCCE up 0.1% to 10.4%
- **Final dividend maintained at 4.8p per share covered 1.8x by earnings**
- **Ahead of schedule in progressing £200 million debt reduction targeted for 2020-2023:**
 - Targeting at least £70 million disposals of non-core pubs and assets in 2020, £50 million of which have already been exchanged or completed
 - Further £40 million reduction in capital expenditure reflecting lower new-build spend

Commenting, Ralph Findlay, CEO said:

“We are making good progress with our debt reduction plans and are ahead of schedule in meeting the accelerated £70 million of disposal proceeds which we are targeting in the current year.

“We continue to benefit from Marston’s balanced business model and our Taverns wet-led community pubs and brewing businesses have both once again outperformed the market, building on an outstanding year last year. We are employing a renewed focus on the proposition in our food-led pubs and remain well placed to benefit from reduced supply in this market segment, of which there is beginning to be some evidence.

“Our principal focus remains to reduce our net debt by £200 million by 2023 - or earlier - and the measures we are taking now will result in a high quality business which is cash generative after dividends and capital expenditure. Trading is on track for the initial weeks of the current year and we are well prepared for the all-important Christmas and New Year period.”

Forthcoming Events

Please find below the forthcoming reporting dates for the Group, which are also available on the investor calendar on our website - www.marstons.co.uk/investors

Q1 Trading update and AGM	24 January 2020
2020 Interim results	13 May 2020
2020 Preliminary Results	25 November 2020

ENQUIRIES:

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Ralph Findlay Chief Executive Officer
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A live audio webcast of the results presentation will be available at
<http://view-w.tv/795-1295-22753/en>
at 0830 hours on 27 November 2019

NOTES TO EDITORS

- Marston’s is a leading pub operator and independent brewer.
- It has an estate of 1,400 pubs situated nationally, comprising managed, franchised and leased pubs.
- It is the UK’s leading brewer of premium cask and packaged ales, including Marston’s Pedigree, Wainwright, Lancaster Bomber and Hobgoblin. The beer portfolio also includes Banks’s, Jennings, Wychwood, Ringwood, Brakspear and Mansfield beers. Marston’s has added Bombardier, Courage and McEwan’s to its brand portfolio most recently, as well as a range of licensed brands including Young’s, Founders and Estrella Damm.
- Marston’s employs around 14,000 people.
- Leverage is defined as the ratio of net debt before lease financing to underlying EBITDA.
- The underlying results reflect the performance of the Group before exceptional and other adjusting items. The Directors consider that these figures provide a useful indication of the underlying performance of the Group.

GROUP OVERVIEW

2019 PERFORMANCE OVERVIEW

During the year we reviewed our strategy and, in light of the current political and economic uncertainty, determined that we would prioritise debt reduction and cash flow. Specifically, in January this year we set out a plan to reduce the Group's net debt by £0.2 billion by 2023, with a commitment to maintaining the dividend during this period.

As a consequence of this review we have reduced growth capital spend on new-build pubs and lodges in 2019, and have no plans for new openings in 2020. Our operational and investment priorities will be focused on driving exceptional performance from the assets we already own, and on further improving guest and customer measures. To support these objectives we will reallocate some capital investment into our existing pub portfolio, creating an even higher quality business and driving higher returns on capital.

We have made good progress in implementing the debt reduction plan to date. In the 2019 financial year operating cash flow increased by £13 million to £196 million and, for financial year 2020 we have raised the disposals target from £40 million to £70 million, with a targeted net cash inflow for the year of £45-55 million.

As a result of this good progress we are aiming to achieve the debt reduction target in a shorter timeframe. When we achieve the target, our aim is to operate a high quality pub and beer business generating sustainable and consistent net cash flow after dividends of at least £50 million per annum.

Our trading performance in 2019 was strong in wet-led pubs and brewing, despite challenging comparatives which included the benefits of the 2018 World Cup and a hot summer, but with more subdued sales in food-led pubs. This performance was consistent with market trends. Pub like-for-like sales increased by 0.8%, and brewing volumes were 1% ahead of the previous year.

Total underlying revenue increased by 2.9%. This reflected the positive impact of new openings and pub acquisitions and like-for-like sales growth in pubs, and growth in brewing helped by new distribution contracts with New River, Trust Inns, Charles Wells and Young's.

Underlying EBITDA of £221.9 million (2018: £222.6 million) was maintained compared to last year and operating profit was £178.7 million (2018: £182.5 million). Operating profit per pub was in line with last year; EBITDAR per pub (adjusting for sale and leaseback agreements) increased by 2%.

Group operating margins were 0.8% behind last year. Cost challenges remain a significant issue for the sector, particularly people and property costs. In addition, operating margin was impacted by converting pubs to franchise-style agreements and the impact of the acquisition of 15 community pubs in the first half-year.

Underlying profit before tax was £101.0 million (2018: £104.0 million). Basic underlying earnings per share for the period were 13.5 pence per share (2018: 13.9 pence per share).

Non-underlying items before tax were £121 million, of which £112 million were non-cash items, including a non-cash impairment charge from the revaluation of certain properties and the adverse impact on the mark-to-market of our interest rate swap arrangements as a consequence of well-publicised lower gilt yields.

On a statutory basis, the loss before tax was £20.0 million (2018: £54.3 million profit) and the loss per share was 2.8 pence per share (2018: earnings of 7.1 pence per share).

Operating cash flow of £195.6 million was £13.2 million higher than last year. The increase principally reflects improvements in working capital in the period.

Net debt at the period end was £1,399 million (2018: £1,386 million), reflecting investment in new sites during the course of the year. Fixed charge cover remains strong at 2.5 times, in line with last year. Cash Return on Cash Capital Employed (CROCCE) was 10.4%, up 0.1% versus 2018.

The proposed final dividend of 4.8 pence per share provides a total dividend for the year of 7.5 pence per share, in line with 2018. Dividend cover is 1.8 times. In the medium term, our dividend policy remains to maintain cover of around 2 times.

Current Trading and Outlook

In the first seven weeks of the period pub like-for-like sales are ahead of last year and beer performance is in line with expectations. As noted previously, the majority of profit in the first quarter is generated over Christmas and New Year, and we are well prepared for this all important trading period.

As noted elsewhere, consumer confidence remains weak. Brexit, political uncertainty and real wage pressures could further impact on consumer confidence, but to date there has been no marked change in spending patterns across the business.

Brexit contingency plans are in place to ensure we are as prepared as we can be for the critical Christmas and New Year trading period, though current indications are that the risk of a disorderly Brexit have reduced. If a disruptive exit from the EU does happen we believe it would impact the wider sector in relation to the cost of goods and labour. Our direct exposure is relatively limited, with only 5% of our workforce of non UK EU origin.

The year ahead will be a 53 week period and will see the implementation of IFRS 16 which will impact a number of the reported KPIs. Further information is provided in the financial review and in note 1 of the financial statements.

Following a reorganisation of the pub operational and commercial structure we no longer operate the business as distinct Destination and Premium, and Taverns segments. To align our reporting and operational structures we will therefore be reporting our pub business under a single "Pubs and Bars" segment from FY2020 to reflect these changes.

Financial strategy

Our debt structure is long-term, secured on our 91% freehold estate, with interest rate exposure hedged using interest rate swaps.

During the year we set out a commitment targeting a £0.2 billion reduction in net debt by 2023. Thereafter we expect to operate a business that generates consistent net cash flow, after dividends, of at least £50 million per annum. The achievement of this will provide us with the optionality to continue to reduce the Group's overall levels of debt or, alternatively, inject additional growth investment into the business.

As a consequence of this strategy, our focus is on the following:

- Continued deferral of new-build pub investment for the time being.
- Increased focus on improving performance and returns from the existing pub and beer business through the reallocation of some capital expenditure away from new pub investment to the operational initiatives described below.
- The disposal of £150 million of certain non-core assets in 2020-23.
- Through improvements relating to the final salary pension scheme (which has a modest deficit that is expected to reduce in the next two years subject to gilt yields), and the costs of servicing the securitised debt.

Our progress to date towards these targets is encouraging; we are currently ahead of schedule in our overall debt reduction plans and we are reviewing the extent to which we can accelerate the achievement of this.

Reduction in interest payments: We have successfully reprofiled the swap interest payments within the securitisation. This benefit has been slightly offset by an increase in the cost of the liquidity facility. We expect the net reduction in interest payments to contribute to at least £3 million of interest savings per annum for the next five years compared to our original plans. Importantly, this reprofiling has not incurred any swap break costs.

Capital expenditure reduction: Having reduced capital expenditure by around £30 million in 2019, we are targeting a further £40 million reduction in 2020 principally reflecting lower levels of new-build expenditure. Our organic capital expenditure will be £80-90 million reflecting a commitment to improving the quality of our existing pub estate and generating further growth from this portfolio. We expect capital expenditure to reduce by a further £10-15 million in 2021.

Disposals: Our guidance for 2020 is at least £70 million and we are targeting at least £150 million of disposals in the period 2020-23 in total.

Maintain dividend: The Board is committed to maintaining the dividend at the current level during this period of debt reduction focus.

MARKET ENVIRONMENT

The eating-out and drinking markets remain in growth overall. Marston's drinks-led pubs and brewing business achieved good growth in 2019 against very strong comparatives which included the benefits of a World Cup and hot summer. These strong performances reflect underlying strength in wet-led pubs, which continue to benefit from consumer trends including demand for engagement and experiences, premiumisation, as well as the wide range of consumer choice from our owned and licensed brands within our extensive beer portfolio.

Consistent with market trends, sales growth in food-led pubs has been more subdued. While there has been good growth at the premium end of the market within our Revere and Pitcher & Piano pub and bar portfolio, the value segment has been more challenging as a consequence of continued sector over-supply and extensive price discounting. More positively, the last two years have seen some capacity reduction which has manifested itself in the form of some high profile CVAs, reductions in previously aggressive expansion plans and estate rationalisation from some of the larger scale operators. Marston's Destination pub estate remains well placed to benefit from this reduced supply.

OPERATIONAL STRATEGY

We remain focused on delivering sustainable growth and maximising return on capital, with two key components to our strategy as described below.

1. Operating a high quality pub and rooms business offering great places to drink, eat and stay

We remain focused on emphasising the "pub" brand. Regardless of the food mix and dining offer, our clear market positioning as a pub and bar operator reflects the enduring appeal of pubs compared to the more cyclical and fashion-led trends which influence the casual dining market. We believe we are in a unique position to further exploit this point of difference by linking our brewing heritage to the pub brand, an approach embedded throughout the business from head-office through to our customer-facing pub teams.

A balanced pub portfolio operating across all segments of the market

We operate a predominately freehold pub estate that caters for a broad range of guests, with flexible operating models. This allows us to ensure we have the right consumer offer, accompanied by the most appropriate operating model, to maximise sales and profits for each individual pub, thus maximising long-term value.

Our pub business comprises the following:

- Family Pub-Restaurants - Our Family Pub-Restaurants offer family dining and great value in a relaxed pub environment. We aim to retain strong pub values while reflecting modern tastes and trends in a fast moving and competitive market.
- Community Pubs - Our Community pubs are great 'locals' with a more traditional pub ambience in strong locations. The contribution of the licensee, together with strong community engagement, are critical to the success of these pubs with entertainment, team-led engagement and games often at the heart of the pub's activities. Our community pubs operate under managed, franchised and leased models offering flexibility for our licensees to run their pub under a business model that is best suited to their needs.
- Premium Pubs and Bars - Our Pitcher & Piano bars and Revere bars and pubs offer premium food and drink in attractive, often iconic town centre and suburban locations.
- Accommodation – we operate around 1,700 rooms across our business. We operate 30 stand-alone lodges adjacent to pubs together with integrated rooms within pubs ranging from rooms above pubs to boutique premium bedrooms.

Smart investment across the pub estate

Targeted capital investment is integral to improving the performance of our pub estate. An effective capital programme provides an enhanced environment for existing guests and is a catalyst to attracting new guests in a highly competitive market.

In 2019 we channelled much of our capital expenditure behind improving the pub values within our estate and premiumising the experience for our guests. The deployment of capital on a “little and often” basis rather than significant expenditure on brand conversion generates stronger immediate and longer-term returns, and this will continue to be our operational approach in future years.

Our organic capital activity in 2019 was in two main areas:

- Project Showman (£2.1 million) - an investment programme specifically designed to enhance the presentation of the drinks offer to our guests. The initial signs are encouraging with a typical sales uplift of 6% post investment.
- Project Hatton (£0.9 million) - pub gardens are a critical part of the guest offer, typically doubling the size of the retail space on sunny days and today the vast majority of our pub portfolio benefits from outside space. Project Hatton is focused on improving the garden offer of the pub and during the year we completed 50 schemes delivering strong drinks sales growth. Early signs are encouraging, with a 4% improvement in sales trend in the final quarter of the year.

Our plans for 2020 are similar in nature. In addition, we have introduced a new maintenance cycle which ensures all of our pubs receive a five year cycle of investment to ensure that our entire pub portfolio is maintained in good condition and in a consistent manner.

Although our focus is now on debt reduction and on delivering organic growth from our existing estate, in 2019 we opened eight pub-restaurants and two lodges which are all trading well. In addition, we acquired 15 well-located leasehold community pubs from Aprirose. We have completed the £4 million post-acquisition investment and initial trade is very encouraging; we are confident in achieving our expected return of 25% on this investment.

“Guest at the Heart” – improved operations underpinned by value, quality, and service

In the current consumer environment, guest perception of value for money is key to long-term success. The market has been characterised by a consumer psyche of heavily ingrained discounting which, against a backdrop of cost headwinds, is unsustainable in our view. Our aim is to generate guest visits based on “best experience” rather than “lowest price”. The initiatives described above are all intended to improve that guest experience from investing capital wisely but in addition we are focused on improving the execution of the offer as follows:

- **Improved operational effectiveness**
 - We have combined the former Destination and Premium and Taverns businesses under one umbrella, Marston’s Pubs & Bars, to facilitate clearer direction and cultural identity in our pub teams.
 - We have reorganised the estate along geographical lines to allow Area Operations Managers to spend more time in their pubs, working closely with pub staff.
 - In 2019, pub audit scores continued to show improvement and EHO scores have improved to an average of 4.54. We are targeting further improvements, having recruited a team of food safety advisors, and replaced our health and safety auditors to drive further change.

- **Investment in pub teams**
 - We invest significantly in training and development of our pub teams at every level and plan to invest a further £2 million in this regard in 2020; the Marston's Talent Academy offers in-depth face-to-face and online training and was a factor in our winning The Caterer's Apprenticeship Employer of The Year Award in 2019. Reduced staff turnover in key roles is a priority for 2020 and we are aiming to further improve skill levels in our kitchens.
 - We have introduced new bonus schemes for pub management staff with a notably increased emphasis on guest satisfaction ratings and exemplary food hygiene standards.
- **Improved guest offer and experience**
 - Reduced complexity: recent menu launches across the business have been designed to eliminate unnecessary ingredient and recipe duplication. This will benefit our guests through clearer menus and reduce wastage.
 - Premiumisation: the trend towards more premium brands in drinks continues across all categories. We will target additional portfolio enhancement to further leverage this trend.
 - Health: we were early to market in introducing an award-winning vegan menu in 2018, and the 'plant burger' in October of that year. This trend towards health awareness and wellness continues in food and drink; we have improved our already strong range of low/no alcohol beers by introducing Shipyard Low Tide, a 0.5% abv Pale Ale.
 - We have replaced our external guest feedback provider with the objective of increasing the quality of information received as well as improving the response rate.

Digital, technology and data development

Our plans to further improve our technology and digital presence to the benefit of guests and to increase operational efficiency are in several areas:

- We will invest an additional £1 million into a new and innovative digital marketing programme in 2020 targeted at improving the social media relationship between our pubs and local guests. Social media is a key mechanism to build traffic in pubs, facilitating communication about events, activities and promotions.
- As part of an ongoing plan to simplify the customer journey in 2019 we introduced a new online table booking system 'Book Your Table'. In 2020 we will introduce more flexible payment facilities enabling guests to pay from mobile devices, together with a 'digital tab service' which will allow for tabs to be opened securely.
- The implementation of our new EPOS system is substantially complete and will conclude in 2020. We are already seeing clear operational benefits both from a guest facing perspective and efficiency improvements in our back-of-house operations.
- In 2020 we are rolling out a new in-house developed labour scheduling system to facilitate improved labour allocation.

The digital and systems development described above provides us with a significant amount of data about our guests' behaviours and tastes. To convert this data into information that can be acted upon, our in-house data team has developed new dashboards to assist both our operational and commercial teams in identifying and resolving problems quickly. Looking forward we will invest further in this team to ensure we can respond quickly to changing consumer needs.

2. "Best in Class" beer business in the UK

Exploiting the growth segments in the beer market

There are positive trends driven by consumers seeking a wider choice of beers with local provenance and taste, particularly within the craft beer segment where Marston's excels. IPAs, including US craft beers and craft keg beers, are increasing in popularity and non-alcoholic beers are in significant growth from a small base.

The off-trade continues to grow in both absolute terms and in share of the total drinks market. The strongest growth is in premium bottled ale where we are market leader and canned craft beer.

Our strategy has anticipated many of these trends. In the last 10 years, we have achieved a fourfold increase in turnover and profits have doubled as we have increased our market share. Our market position continues to strengthen with a 14% share of the total ale market, 24% of the premium ale market in the on-trade and 25% of the premium ale market in the off-trade.

Sustainable long-term growth of local, national and global portfolio of brands

Our ale portfolio has been enhanced significantly through acquisitions. Wainwright, acquired in 2015, is our fastest growing cask ale brand and in 2017 the acquisition of Bombardier, Young's and Courage provided distribution opportunities in London and the south of England, as did McEwan's in Scotland. These acquisitions enhanced an already strong and unrivalled core brand range including Marston's, Banks's, Jennings, Wychwood and Ringwood.

Hobgoblin remains our biggest ale brand and the "unofficial Beer of Halloween". We continue to evolve the brand with the introduction of Hobgoblin IPA which was awarded the "Best IPA in the World" in the 2018 World Beer Awards. We achieved a total of 10 Gold, Silver or Bronze medals in 2019, including 61 Deep winning the World Beer Award for golden beers.

In addition to our ale portfolio, Marston's has exclusive UK licences for US craft beers including Shipyard and Founders; world lagers including Estrella Damm, Warsteiner and Kirin; and Kingstone Press Cider. This month we have renewed the Shipyard licence for a further 15 years. These brands have been important growth drivers and have supported our geographical expansion in the independent free trade.

Our brands are also demanded globally, with exports now accounting for around 10% of our own-brewed beer sales. We export 19 brands to 61 countries, including our six key markets of Russia, Canada, France, Italy, Germany and the USA.

Our marketing strategy is underpinned by a combination of both national and local marketing activity, with a focus on digital, print media and sports sponsorship. At a local level we have long standing sponsorships at the New Forest Show, Henley Regatta and Keswick Jazz Festival, and we operate highly acclaimed brewery tours across our breweries.

Sports sponsorship includes a recent five-year extension to the beer supply into Lord's Cricket Ground, and Wainwright sponsorship of the 2019 Oxford and Cambridge University Boat Race, both of which provide us with a platform to showcase our brands in both London and on a national basis.

Recognised as best in class by our customers, delivering a complete customer experience solution

We pride ourselves that our customers in both the on-trade and off-trade value our market leading position and insight. We leverage our knowledge of the beer market with our customers to improve their offers, receiving supplier awards from several of our major customers. Our annual On-Trade and Off-Trade Beer Reports are valued by our customers and the industry generally.

World class supply chain delivering highest quality at optimal cost in brewing and logistics

Our beer business provides brewing, packaging and distribution services for a wide range of customers, in addition to our own pubs. Three of our six breweries are British Retail Consortium “A” rated or above. We now distribute to around a quarter of the 46,000 on-trade outlets in the UK and we recently opened a new distribution facility in Thurrock, in addition to the 11 depots we have nationwide, to further enhance our distribution capability.

In addition to the new business generated in 2018 as distributor to Punch, Hawthorn and Brakspear, we have secured additional distribution agreements with New River, Trust Inns and Young’s.

The Marston’s brewery in Burton-upon-Trent is our centre of excellence for packaging both bottled and canned beers. The completion of the new canning line in 2018 has further improved our canning efficiency and opens up more customer opportunities in addition to bottling. We currently package a significant portion of the UK premium bottled ale market.

This strong foundation in brewing and logistics excellence, together with sensible investment in our business makes us well placed to participate in continued consolidation of the UK beer supply chain.

OUR PEOPLE AND OUR ENVIRONMENT

We have a committed and loyal team of over 14,000 people who are critical to our success. As a ‘people powered’ business, we know that the key to unlocking the potential of our people is to engage, involve and motivate, whilst also enabling them to make decisions, take action and play their part. It’s a two-way contract, one where we need to invest in our people and their future, as much as they invest in Marston’s. We devote time, effort and resources in making sure that we are creating an environment where our people feel enabled and inspired to be their best. That’s why we aim to attract and retain the very best talent across all levels; at our support centre in the Group’s Head Office, in our beer company and in our pubs. We strive to nurture and create a working environment where all team members are equally valued, truly supported and duly recognised for their contribution.

This is evidenced by our achievements in 2019 and our plans for 2020:

- In 2020 we will launch our new recruitment website which has been refreshed to appeal to a more diverse audience.
- During the year, we have continued to invest in Training and Development with one in three employees receiving formal training and just under 27,000 learning resources accessed via our Talent Academy online platform, covering a broad range of topics, from serving the perfect drink through to communication and personal effectiveness.

- Our commitment to using apprentices through the business is also evident – we fully utilise all of our apprenticeship levy funds through the 500+ apprentices on our programmes, for many of whom working at Marston’s is their first experience of full or part-time work. In 2018, Marston’s was named Macro Employer of the Year for the West Midlands at the National Apprenticeship Awards and this year we won Hospitality Apprenticeship Employer of the Year at the Caterer.com People Awards.
- We also recognise the ongoing challenge to promote gender equality in the business – we had four finalists in the 2019 WeQual Awards, one of whom won the “Best Rising Star” award. We are also seeing an increase in female senior management, who now account for 47% of direct reports into the Executive Committee.

The environmental agenda is also increasingly important to many stakeholders, from our guests through to employees. We have made significant and market leading progress in this regard.

- We have removed plastic straws from our pubs.
- We are extremely proud of the fact that we are the only zero waste to landfill company in our sector.
- We are focused on reducing energy consumption across the business and our energy team were recently awarded EMA Energy Management Team of the Year and Recycling Partnership Excellence winner at the 2019 National Recycling Awards.
- Our total energy emissions decreased this year by 3.7% and whilst we have made great progress to date, we are committed to further reducing our carbon footprint further in the coming years, with £1-2 million of energy reduction related investment planned.

PERFORMANCE AND FINANCIAL REVIEW

	Underlying revenue		Underlying operating profit		Margin	
	2019	2018	2019	2018	2019	2018
	£m	£m	£m	£m	%	%
Destination and Premium	460.1	450.7	87.1	89.4	18.9	19.8
Taverns	324.1	312.0	86.3	86.1	26.6	27.6
Brewing	389.3	377.7	32.6	32.0	8.4	8.5
Group Services	-	-	(27.3)	(25.0)	(2.3)	(2.2)
Group	1,173.5	1,140.4	178.7	182.5	15.2	16.0

Destination and Premium

Total revenue increased by 2.1% to £460.1 million reflecting the performance of our new-build pub-restaurants and growth in like-for-like sales. Underlying operating profit was £87.1 million (2018: £89.4 million). Profit per pub is 4% down compared to last year.

Total like-for-like sales were 0.1% ahead of last year, principally reflecting positive drink and accommodation sales, offset by weaker food sales.

Reported underlying operating margin of 18.9% is slightly below last year, reflecting increased margin investment and cost increases in labour, business rates and energy costs.

Taverns

Total revenue increased by 3.9% to £324.1 million, principally reflecting like-for-like sales growth in the year in our managed and franchised pubs. Operating profit was up 0.2% on last year reflecting growth in the core business offset by disposals and £0.7m of opening costs for the new pub acquisitions described above. Profit per pub was up 2% on last year.

In our managed and franchised pubs, like-for-like sales were up 1.9%.

Underlying operating margin was 1.0% below last year at 26.6%, reflecting cost increases, the continued impact of franchise conversions, and increased rent and opening costs from the Aprirose acquisition.

Future pub reporting

Following a reorganisation of the pub operational and commercial structure, the business is no longer operated as Destination and Premium and Taverns segments. As a consequence of this, from financial year 2020 we will be reporting our pub business under a single "Pubs and Bars" segment to reflect this change. Strategically this enables us to operate the pub estate in a more flexible manner, permitting quicker changes in format where required. In addition, our operational structure is now more geographically, rather than format aligned, enabling area managers to focus on local competition across all pub types.

Brewing

Total revenue increased by 3.1% to £389.3 million, principally reflecting volume growth in our core business and the benefits of the new distribution contracts in the year. Underlying operating profit increased by 1.9% to £32.6 million.

Underlying operating margin of 8.4% was broadly in line with last year.

Group Services

Central costs as a proportion of turnover were 0.1% higher than in 2018. Absolute costs increased reflecting inflationary pay increases, the impact of both the apprenticeship and pub code levies, and higher training and IT costs.

Taxation

The underlying rate of taxation of 15.2% in 2019 (2018: 15.5%) was below the standard rate of corporation tax due to (i) significant deferred tax movements in the year at the future enacted rate of 17%, (ii) a deferred tax benefit created by the retention of capital allowances on fixtures in property disposals and (iii) a prior year deferred tax credit arising from rollover relief claims in respect of capital gains, where the reduction in tax base cost of property is offset by previously unrecognised indexation.

Non-underlying items

Non-underlying items before taxation were £121 million, of which £112 million were non-cash items, consisting of a £72.2 million charge to operating profit and a £48.8 million charge to finance costs. A net non-underlying tax credit of £17.4 million has also been recognised.

Items recognised in the year included the following:

- the impairment of underperforming Destination and Premium properties in the period, which resulted in a £43.4 million charge to the income statement
- a non-cash £48.7 million net loss reflecting interest rate swap valuation movements. Most of these movements would historically have been recognised in the hedging reserve – clearly any increase in gilt yields would result in a positive impact on the income statement
- a write-off of acquisition and development costs of £9.9 million in respect of properties that will no longer be purchased/developed and £3.9 million of old EPOS equipment due to the rollout of the new system across the estate
- a charge of £2.3 million in respect of the change in the rate assumptions used in calculating our onerous lease provisions
- reorganisation and integration costs of £8.1 million, principally from the integration of the Charles Wells beer business - this Charles Wells integration process is now complete and no further costs are expected to be incurred
- a pension scheme past service cost of £4.6 million in respect of Guaranteed Minimum Pension equalisation

Capital expenditure and disposals

Capital expenditure was £133.8 million in the year (2018: £162.7 million) including £50 million on new pubs. We expect that capital expenditure will be around £90-95 million in 2020.

Cash proceeds of £49.8 million have been received from the sale of pubs and other assets, including £35 million of leasing transactions. Disposal proceeds of around £70 million are anticipated in 2020, an increase in the guidance provided at the Interim Results in May.

Financing

The Group has a £360 million bank facility to March 2024. This facility, together with a long-term securitisation of approximately £745 million and the lease financing arrangements described below, provide us with an appropriate level of financing headroom for the medium term. The Group has sufficient headroom on both the banking and securitisation covenants and also has flexibility to transfer pubs between the banking and securitisation groups.

In recent years, the Group has entered into lease financing arrangements which have a total value of £358 million as at 28 September 2019. This financing is a form of sale and leaseback agreement whereby the freehold reverts to the Group at the end of the term at nil cost, consistent with our preference for predominantly freehold asset tenure. The agreements range from 35 to 40 years and provide the Group with an extended debt maturity profile at attractive rates of interest. Unlike a traditional sale and leaseback (before IFRS 16), the associated liability is recognised as debt on the balance sheet due to the reversion of the freehold.

Operating cash flow of £195.6 million is £13.2 million ahead of last year.

For the period ended 28 September 2019 the ratio of net debt before lease financing to underlying EBITDA was 4.7 times (2018: 4.6 times). It remains our intention to reduce this ratio over time.

Pensions

The deficit on our final salary scheme was £36.4 million at 28 September 2019 which compares to the £15.6 million surplus at last year end. This movement is principally due to the increase in liabilities as a consequence of the significant decrease in corporate bond yields in the period.

Lease accounting

The Group will adopt IFRS 16 'Leases' in its financial statements from the start of the new financial year.

The main effect of this new accounting standard is to bring all leases 'on balance sheet' for lessees. This means that the Group will have to recognise a lease liability within borrowings in respect of the majority of its existing operating leases along with either a right-of-use asset in property, plant and equipment or a finance lease debtor (for some sublet properties). The rental payments/receipts currently charged to the income statement will be treated as repayments of the lease liability/finance lease debtor and instead the income statement will include depreciation of the right-of-use asset and interest on the lease liability/finance lease debtor.

The Group will follow the modified retrospective approach in IFRS 16 and will also take the option to measure the right-of-use assets as if IFRS 16 had always applied but using the Group's incremental borrowing rate at the date of initial application.

It is expected that upon adopting IFRS 16 and making related accounting policy changes on 29 September 2019, the Group's borrowings will increase by around £285-310 million and net assets will reduce by around £45-55 million.

Assuming there are no significant changes to the portfolio of leases held by the Group as at 29 September 2019, it is expected that profit after tax for the period ended 3 October 2020 will be around £3-7 million lower. There will be no impact on the overall net cash flow of the Group.

GROUP INCOME STATEMENT

For the 52 weeks ended 28 September 2019

	2019			2018		
	Underlying £m	Non- underlying £m	Total £m	Underlying £m	Non- underlying £m	Total £m
Revenue	1,173.5	-	1,173.5	1,140.4	0.9	1,141.3
Operating expenses	(994.8)	(72.2)	(1,067.0)	(957.9)	(50.0)	(1,007.9)
Operating profit	178.7	(72.2)	106.5	182.5	(49.1)	133.4
Finance costs	(78.1)	(0.6)	(78.7)	(78.9)	(0.1)	(79.0)
Finance income	0.4	0.5	0.9	0.4	-	0.4
Interest rate swap movements	-	(48.7)	(48.7)	-	(0.5)	(0.5)
Net finance costs	(77.7)	(48.8)	(126.5)	(78.5)	(0.6)	(79.1)
Profit/(loss) before taxation	101.0	(121.0)	(20.0)	104.0	(49.7)	54.3
Taxation	(15.4)	17.4	2.0	(16.1)	6.8	(9.3)
Profit/(loss) for the period attributable to equity shareholders	85.6	(103.6)	(18.0)	87.9	(42.9)	45.0

(Loss)/earnings per share:

Basic (loss)/earnings per share	(2.8)p	7.1p
Basic underlying earnings per share	13.5p	13.9p
Diluted (loss)/earnings per share	(2.8)p	7.0p
Diluted underlying earnings per share	13.4p	13.7p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 28 September 2019

	2019 £m	2018 £m
(Loss)/profit for the period	(18.0)	45.0
Items of other comprehensive income that may subsequently be reclassified to profit or loss		
Losses arising on cash flow hedges	(20.5)	-
Transfers to the income statement on cash flow hedges	11.2	10.9
Tax on items that may subsequently be reclassified to profit or loss	1.5	(1.8)
	(7.8)	9.1
Items of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	(54.7)	14.0
Unrealised surplus on revaluation of properties	2.8	170.3
Reversal of past revaluation surplus	(27.4)	(161.7)
Tax on items that will not be reclassified to profit or loss	11.1	(2.3)
	(68.2)	20.3
Other comprehensive (expense)/income for the period	(76.0)	29.4
Total comprehensive (expense)/income for the period	(94.0)	74.4

GROUP CASH FLOW STATEMENT

For the 52 weeks ended 28 September 2019

	2019 £m	2018 £m
Operating activities		
Underlying operating profit	178.7	182.5
Depreciation and amortisation	43.2	40.1
Underlying EBITDA	221.9	222.6
Non-underlying operating items	(72.2)	(49.1)
EBITDA	149.7	173.5
Working capital movement	10.3	(2.1)
Non-cash movements	51.0	31.8
Decrease in provisions and other non-current liabilities	(3.4)	(5.4)
Difference between defined benefit pension contributions paid and amounts charged	(3.0)	(8.0)
Income tax paid	(9.0)	(7.4)
Net cash inflow from operating activities	195.6	182.4
Investing activities		
Interest received	0.5	0.8
Sale of property, plant and equipment and assets held for sale	49.8	46.9
Purchase of property, plant and equipment and intangible assets	(133.8)	(162.7)
Movement in other non-current assets	0.3	0.7
Net transfer from other cash deposits	118.0	-
Net cash inflow/(outflow) from investing activities	34.8	(114.3)
Financing activities		
Equity dividends paid	(47.5)	(47.5)
Interest paid	(74.4)	(74.9)
Arrangement costs of bank facilities	(1.1)	(0.6)
Arrangement costs of other lease related borrowings	-	(5.1)
Purchase of own shares	-	(1.2)
Proceeds from sale of own shares	0.1	-
Repayment of securitised debt	(31.7)	(30.0)
Repayment of bank borrowings	(0.7)	-
Advance of bank borrowings	48.6	10.2
Capital element of finance leases repaid	(7.5)	(0.2)
Advance of other lease related borrowings	-	68.0
Repayment of other borrowings	(120.0)	-
Net cash outflow from financing activities	(234.2)	(81.3)
Net decrease in cash and cash equivalents	(3.8)	(13.2)

GROUP BALANCE SHEET

As at 28 September 2019

	28 September 2019 £m	29 September 2018 £m
Non-current assets		
Goodwill	230.3	230.3
Other intangible assets	88.5	70.0
Property, plant and equipment	2,350.4	2,408.1
Other non-current assets	9.3	9.6
Deferred tax assets	5.8	-
Retirement benefit surplus	-	15.6
	2,684.3	2,733.6
Current assets		
Inventories	43.6	44.6
Trade and other receivables	90.9	104.9
Other cash deposits*	2.0	120.0
Cash and cash equivalents	37.6	41.4
	174.1	310.9
Assets held for sale	1.7	2.3
Current liabilities		
Borrowings*	(54.9)	(158.4)
Derivative financial instruments	(184.2)	(28.9)
Trade and other payables	(248.3)	(252.2)
Current tax liabilities	(1.7)	(4.0)
Provisions for other liabilities and charges	(2.6)	(2.8)
	(491.7)	(446.3)
Non-current liabilities		
Borrowings	(1,383.4)	(1,389.0)
Derivative financial instruments	(51.3)	(148.6)
Other non-current liabilities	(2.6)	(1.5)
Provisions for other liabilities and charges	(19.7)	(22.5)
Deferred tax liabilities	(63.9)	(81.3)
Retirement benefit obligations	(36.4)	-
	(1,557.3)	(1,642.9)
Net assets	811.1	957.6
Shareholders' equity		
Equity share capital	48.7	48.7
Share premium account	334.0	334.0
Revaluation reserve	598.9	627.2
Merger reserve	23.7	23.7
Capital redemption reserve	6.8	6.8
Hedging reserve	(125.9)	(118.1)
Own shares	(112.0)	(112.3)
Retained earnings	36.9	147.6
Total equity	811.1	957.6

* At 29 September 2018 other cash deposits comprised £120.0 million drawn down under the liquidity facility and borrowings included the corresponding liability.

GROUP STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 28 September 2019

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 30 September 2018 (as previously reported)	48.7	334.0	627.2	23.7	6.8	(118.1)	(112.3)	147.6	957.6
Adjustment for adoption of IFRS 9	-	-	-	-	-	-	-	(6.7)	(6.7)
Tax impact of IFRS 9 adjustment	-	-	-	-	-	-	-	1.2	1.2
At 30 September 2018 (as restated)	48.7	334.0	627.2	23.7	6.8	(118.1)	(112.3)	142.1	952.1
Loss for the period	-	-	-	-	-	-	-	(18.0)	(18.0)
Remeasurement of retirement benefits	-	-	-	-	-	-	-	(54.7)	(54.7)
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	-	9.3	9.3
Losses on cash flow hedges	-	-	-	-	-	(20.5)	-	-	(20.5)
Transfers to the income statement on cash flow hedges	-	-	-	-	-	11.2	-	-	11.2
Tax on hedging reserve movements	-	-	-	-	-	1.5	-	-	1.5
Property revaluation	-	-	2.8	-	-	-	-	-	2.8
Property impairment	-	-	(27.4)	-	-	-	-	-	(27.4)
Deferred tax on properties	-	-	1.8	-	-	-	-	-	1.8
Total comprehensive expense	-	-	(22.8)	-	-	(7.8)	-	(63.4)	(94.0)
Share-based payments	-	-	-	-	-	-	-	0.3	0.3
Tax on share-based payments	-	-	-	-	-	-	-	0.1	0.1
Sale of own shares	-	-	-	-	-	-	0.3	(0.2)	0.1
Transfer disposals to retained earnings	-	-	(5.2)	-	-	-	-	5.2	-
Transfer tax to retained earnings	-	-	0.7	-	-	-	-	(0.7)	-
Transfer depreciation to retained earnings	-	-	(1.0)	-	-	-	-	1.0	-
Dividends paid	-	-	-	-	-	-	-	(47.5)	(47.5)
Total transactions with owners	-	-	(5.5)	-	-	-	0.3	(41.8)	(47.0)
At 28 September 2019	48.7	334.0	598.9	23.7	6.8	(125.9)	(112.0)	36.9	811.1

	Equity share capital £m	Share premium account £m	Revaluation reserve £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings £m	Total equity £m
At 1 October 2017	48.7	334.0	624.2	71.2	6.8	(127.2)	(111.3)	85.0	931.4
Profit for the period	-	-	-	-	-	-	-	45.0	45.0
Remeasurement of retirement benefits	-	-	-	-	-	-	-	14.0	14.0
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	-	(2.4)	(2.4)
Transfers to the income statement on cash flow hedges	-	-	-	-	-	10.9	-	-	10.9
Tax on hedging reserve movements	-	-	-	-	-	(1.8)	-	-	(1.8)
Property revaluation	-	-	170.3	-	-	-	-	-	170.3
Property impairment	-	-	(161.7)	-	-	-	-	-	(161.7)
Deferred tax on properties	-	-	0.1	-	-	-	-	-	0.1
Total comprehensive income	-	-	8.7	-	-	9.1	-	56.6	74.4
Share-based payments	-	-	-	-	-	-	-	0.5	0.5
Purchase of own shares	-	-	-	-	-	-	(1.2)	-	(1.2)
Sale of own shares	-	-	-	-	-	-	0.2	(0.2)	-
Transfer disposals to retained earnings	-	-	(5.6)	-	-	-	-	5.6	-
Transfer tax to retained earnings	-	-	0.9	-	-	-	-	(0.9)	-
Transfer depreciation to retained earnings	-	-	(1.0)	-	-	-	-	1.0	-
Dividends paid	-	-	-	(47.5)	-	-	-	-	(47.5)
Total transactions with owners	-	-	(5.7)	(47.5)	-	-	(1.0)	6.0	(48.2)
At 29 September 2018	48.7	334.0	627.2	23.7	6.8	(118.1)	(112.3)	147.6	957.6

NOTES

1 ACCOUNTING POLICIES

Basis of preparation

The financial information for the 52 weeks ended 28 September 2019 (2018: 52 weeks ended 29 September 2018) has been extracted from the audited financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee and Standing Interpretations Committee interpretations adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain items, principally land and buildings, derivative financial instruments, retirement benefits and share-based payments.

2 SEGMENT REPORTING

	2019	2018
	£m	£m
Underlying revenue by segment		
Destination and Premium	460.1	450.7
Taverns	324.1	312.0
Brewing	389.3	377.7
Group Services	-	-
Underlying revenue	1,173.5	1,140.4
Non-underlying items	-	0.9
Revenue	1,173.5	1,141.3

	2019	2018
	£m	£m
Underlying operating profit by segment		
Destination and Premium	87.1	89.4
Taverns	86.3	86.1
Brewing	32.6	32.0
Group Services	(27.3)	(25.0)
Underlying operating profit	178.7	182.5
Non-underlying operating items	(72.2)	(49.1)
Operating profit	106.5	133.4
Net finance costs	(126.5)	(79.1)
(Loss)/profit before taxation	(20.0)	54.3

3 NON-UNDERLYING ITEMS

	2019	2018
	£m	£m
Exceptional operating items		
Impact of change in rate assumptions used for onerous lease provisions	2.3	0.1
Reorganisation and integration costs	8.1	7.3
Impairment of freehold and leasehold properties	43.4	39.8
Write-off of EPOS equipment	3.9	-
Write-off of acquisition and development costs	9.9	-
Past service cost in respect of Guaranteed Minimum Pension equalisation	4.6	-
	72.2	47.2
Other adjusting operating items		
Results in respect of the ongoing management of pubs in the portfolio disposal	-	1.9
	-	1.9
Non-underlying operating items	72.2	49.1
Exceptional non-operating items		
Net interest on net defined benefit asset/liability	(0.5)	0.1
Swap recouping fees	0.6	-
Interest rate swap movements	48.7	0.5
	48.8	0.6
Total non-underlying items	121.0	49.7

Impact of change in rate assumptions used for onerous lease provisions

The update of the discount rate assumptions used in the calculation of the Group's onerous property lease provisions resulted in an increase of £2.3 million (2018: £0.1 million) in the total provision.

Reorganisation and integration costs

During the current period the Group incurred reorganisation and integration costs of £8.1 million (2018: £7.3 million), primarily as a result of the acquisition of the beer business of Charles Wells in the period ended 30 September 2017.

Impairment of freehold and leasehold properties

In light of changes in the market and pub performance the Group undertook a detailed valuation review of its Destination and Premium estate in the current period, which resulted in the impairment of a number of these properties.

At 28 January 2018 the Group's freehold and leasehold properties were revalued by independent chartered surveyors on an open market value basis.

The revaluation adjustments in respect of each of the above were recognised in the revaluation reserve or income statement as appropriate. The amounts recognised in the income statement were:

	2019 £m	2018 £m
Impairment of other intangible assets	-	0.1
Reversal of past impairment of other intangible assets	-	(0.3)
Impairment of property, plant and equipment	43.4	70.6
Reversal of past impairment of property, plant and equipment	-	(31.4)
Impairment of assets held for sale	-	0.4
Valuation fees	-	0.4
	43.4	39.8

Write-off of EPOS equipment

Due to the rollout of the Group's new EPOS system the assets relating to the old system have been written off in the current period.

Write-off of acquisition and development costs

The Group has decided to focus its capital expenditure upon its existing estate and as such acquisition and development costs of £9.9 million in respect of sites which the Group no longer intends to acquire and/or develop have been written off in the current period.

Past service cost in respect of Guaranteed Minimum Pension equalisation

On 26 October 2018 a High Court ruling indicated that Guaranteed Minimum Pensions must be equalised for men and women. This requirement has been reflected in the calculation of the Group's net defined benefit asset/liability at 28 September 2019 and the resulting additional past service cost has been presented as an exceptional item.

Net interest on net defined benefit asset/liability

The net interest on the net defined benefit asset/liability in respect of the Group's defined benefit pension plan was a credit of £0.5 million (2018: charge of £0.1 million).

Swap recouping fees

On 27 March 2019 the Group recouped the interest rate swap that fixes the interest rate payable on the floating rate elements of its A1, A2, A3 and B securitised notes. The recouping has had the effect of reducing the fixed interest rate paid for the next five years and increasing the fixed interest rate paid in the final four years of the swap's term. The Group incurred fees of £0.6 million in relation to this transaction.

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 £20.5 million (2018: £nil) has been recognised in the hedging reserve in respect of the effective portion of the fair value movement and £7.7 million (2018: £10.9 million) has been reclassified from the hedging reserve to underlying finance costs in the income statement in respect of the cash paid in the period. The ineffective portion of the fair value movement has been recognised within the income statement. The cash paid of £1.8 million (2018: £nil) 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 £1.5 million (2018: loss of £0.3 million), has been recognised within non-underlying items. In addition £3.5 million (2018: £nil) 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 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 net cash received of £1.3 million (2018: £2.6 million paid) 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 £46.7 million (2018: £0.2 million), equal to the change in the carrying value of the interest rate swaps in the period, or from when hedge accounting ceased to be applied, has been recognised within non-underlying items.

As a result of the above swap recouping the hedging relationship between this interest rate swap and the associated debt ceased to meet the qualifying criteria for hedge accounting. The cumulative hedging loss existing in equity at 27 March 2019 remained in equity and is being recognised when the forecast transactions are ultimately recognised in the income statement. Fair value movements in respect of this interest rate swap after 27 March 2019 have been recognised wholly within the income statement.

Impact of taxation

The current tax credit relating to the above non-underlying items amounts to £2.6 million (2018: £1.6 million). The deferred tax credit relating to the above non-underlying items amounts to £14.8 million (2018: £5.2 million).

Prior period non-underlying items

During the period ended 4 October 2014 the Group disposed of a portfolio of 202 pubs and subsequently entered into a four year lease and five year management agreement in respect thereof. During the period ended 30 September 2017 the Group entered into new 15 year leases in respect of 22 of the properties and these were removed from the management agreement. All of the other pubs were removed from the arrangements by the purchaser before the end of the four year lease term in December 2017. The Group no longer had strategic control of the pubs whilst they were subject to the management agreement and they did not form part of its core activities. As such the results in respect of the ongoing operation and management of these pubs were classified as a non-underlying item, comprised as follows:

	2018 £m
Revenue	0.9
Operating expenses	(2.8)
	(1.9)

4 TAXATION

	2019 £m	2018 £m
Income statement		
Current tax:		
Current period	11.1	10.1
Adjustments in respect of prior periods	(0.7)	(0.4)
Credit in respect of tax on non-underlying items	(2.6)	(1.6)
	7.8	8.1
Deferred tax:		
Current period	6.8	7.6
Adjustments in respect of prior periods	(1.8)	(1.2)
Credit in respect of tax on non-underlying items	(14.8)	(5.2)
	(9.8)	1.2
Taxation (credit)/charge reported in the income statement	(2.0)	9.3

5 ORDINARY DIVIDENDS ON EQUITY SHARES

	2019 £m	2018 £m
Paid in the period		
Final dividend for 2018 of 4.8p per share (2017: 4.8p)	30.4	30.4
Interim dividend for 2019 of 2.7p per share (2018: 2.7p)	17.1	17.1
	47.5	47.5

A final dividend for 2019 of 4.8p per share amounting to £30.4 million has been proposed for approval at the Annual General Meeting, but has not been reflected in the financial statements.

This dividend will be paid on 27 January 2020 to those shareholders on the register at close of business on 13 December 2019.

6 EARNINGS PER ORDINARY SHARE

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

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

	2019		2018	
	Earnings £m	Per share amount p	Earnings £m	Per share amount p
Basic (loss)/earnings per share	(18.0)	(2.8)	45.0	7.1
Diluted (loss)/earnings per share	(18.0)	(2.8)	45.0	7.0
Underlying earnings per share figures				
Basic underlying earnings per share	85.6	13.5	87.9	13.9
Diluted underlying earnings per share	85.6	13.4	87.9	13.7
			2019	2018
			m	m
Basic weighted average number of shares			632.6	633.1
Dilutive options			7.6	6.7
Diluted weighted average number of shares			640.2	639.8

7 NET DEBT

	2019 £m	Cash flow £m	Non-cash movements and deferred issue costs £m	2018 £m
Analysis of net debt				
Cash and cash equivalents				
Cash at bank and in hand	37.6	(3.8)	-	41.4
	37.6	(3.8)	-	41.4
Financial assets				
Other cash deposits	2.0	(118.0)	-	120.0
	2.0	(118.0)	-	120.0
Debt due within one year				
Bank borrowings	(21.5)	(19.3)	(2.2)	-
Securitised debt	(32.9)	31.7	(33.4)	(31.2)
Finance leases	(0.8)	7.5	(0.8)	(7.5)
Other lease related borrowings	0.3	-	-	0.3
Other borrowings	-	120.0	-	(120.0)
	(54.9)	139.9	(36.4)	(158.4)
Debt due after one year				
Bank borrowings	(313.3)	(28.6)	2.6	(287.3)
Securitised debt	(712.2)	-	32.9	(745.1)
Finance leases	(21.1)	-	(1.0)	(20.1)
Other lease related borrowings	(336.7)	-	(0.3)	(336.4)
Preference shares	(0.1)	-	-	(0.1)
	(1,383.4)	(28.6)	34.2	(1,389.0)
Net debt	(1,398.7)	(10.5)	(2.2)	(1,386.0)

At 29 September 2018 other borrowings represented the amounts drawn down under the securitisation's liquidity facility. During the period ended 4 October 2014 the facility's provider, the Royal Bank of Scotland Group plc, had its short-term credit rating downgraded below the minimum prescribed in the facility agreement and as such the Group exercised its entitlement to draw the full amount of the facility and hold it in a designated bank account. The corresponding balance of £120.0 million held in the relevant bank account was included within other cash deposits at 29 September 2018. The amounts drawn down could only be used for the purpose of meeting the securitisation's debt service obligations should there ever be insufficient funds available from operations to meet such payments. As such these amounts were considered to be restricted cash. During the current period the facility was novated to a new provider whose credit rating is above the prescribed minimum and as such the amounts drawn down were repaid.

Included within other cash deposits is an amount of £0.2 million (2018: £0.3 million within cash and cash equivalents) relating to a letter of credit with Royal & Sun Alliance Insurance, and an amount of £1.7 million (2018: £1.4 million within cash and cash equivalents) relating to a letter of credit with Aviva. Included within cash and cash equivalents is an amount of £6.6 million (2018: £6.7 million) relating to collateral held in the form of cash deposits. These amounts are also 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.

	2019 £m	2018 £m
Reconciliation of net cash flow to movement in net debt		
Decrease in cash and cash equivalents in the period	(3.8)	(13.2)
Decrease in other cash deposits	(118.0)	-
Cash outflow/(inflow) from movement in debt	111.3	(48.0)
Change in debt resulting from cash flows	(10.5)	(61.2)
Non-cash movements and deferred issue costs	(2.2)	4.3
Movement in net debt in the period	(12.7)	(56.9)
Net debt at beginning of the period	(1,386.0)	(1,329.1)
Net debt at end of the period	(1,398.7)	(1,386.0)

	2019 £m	2018 £m
Reconciliation of net debt before lease financing to net debt		
Cash and cash equivalents	37.6	41.4
Other cash deposits	2.0	120.0
Bank borrowings	(334.8)	(287.3)
Securitised debt	(745.1)	(776.3)
Other borrowings	-	(120.0)
Preference shares	(0.1)	(0.1)
Net debt before lease financing	(1,040.4)	(1,022.3)
Finance leases	(21.9)	(27.6)
Other lease related borrowings	(336.4)	(336.1)
Net debt	(1,398.7)	(1,386.0)

8 EVENTS AFTER THE BALANCE SHEET DATE

In November 2019 the Group disposed of a package of 137 pubs for consideration of £44.9 million.

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 audited statutory accounts of the Group for the 52 weeks ended 28 September 2019, which will be filed with the Registrar of Companies in due course. The independent auditors' report on these accounts is unqualified and does not contain any statements under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for the 52 weeks ended 29 September 2018 have been delivered to the Registrar of Companies.
- (b) The Annual Report and Accounts for the 52 weeks ended 28 September 2019 will be posted to shareholders on 18 December 2019. The Annual Report and Accounts can be downloaded from the Marston's PLC website: www.marstons.co.uk. Alternatively, copies will be obtainable from Instinctif Partners (020 7457 2020) or from the Group Secretary, Marston's PLC, Marston's House, Brewery Road, Wolverhampton, WV1 4JT.