MARSTON'S

10 December 2020

MARSTON'S PLC
RESULTS FOR THE 53 WEEKS ENDED 3 OCTOBER 2020*

DECISIVE MANAGEMENT DURING COVID-19, WELL PLACED AS MARKET RECOVERS

Resilient trading performance post reopening, pubs outperformed market*** by 7%

- Full year 2020 sales impacted by the 15-week closure of pubs from the end of March
- Q4 like-for-like sales** 90% of 2019, 7% ahead of UK pub sector***
- Guest satisfaction scores up 11% compared to pre COVID-19 levels
- Strong off-trade performance in Beer Company with volumes up 23%

Response to COVID-19 prioritised safety, livelihoods, pub ambience, financial sustainability

- Significant financial support to tenants, lessees and retailers
- £2 million investment in "Inside-Out" schemes to increase capacity in winter months
- Engaged with communities to provide support, including to local authorities
- Very few notified instances of COVID-19 infection from employees or guests

Lower debt – net borrowings before JV completion c.£50 million lower than 2019

- Net cash flow**** improved by £61 million including £75 million disposals
- Government support areas: furlough scheme, VAT, business rates, payment schedules
- Tight control of all costs, including capital expenditure and no dividend in FY20

Transformational Carlsberg joint venture completed 30th October

- Marston's Beer Company valued at c£580 million
- £233 million of total equalisation payment of up to £273 million received 30 October
- Retain 40% stake in a high-quality beer business with significant synergy opportunity
- Net ongoing impact on Marston's PLC cash flow broadly neutral post synergies

Future strategy: focused pub business well placed as market recovers

- Simplified Executive management structure – one pub business with centralised support
- Further streamlining to come: £5 million overhead reduction target, £3 million to be realised this year
- Suburban pub estate well placed to take advantage of trends emerging from COVID-19
- Three clear strategic pillars: Guest Obsessed, Raise the Bar, We Will Grow

Significant cash headroom post JV completion, further debt reduction targeted

- Bank facility of £280 million committed to 2024; liquidity and profit covenants to July 2021
- Waivers provided by securitisation bondholders to April 2021
- Target to reduce borrowings to below £1 billion by 2024 through operational cash flow

Current outlook post 2nd lockdown (November 2020)

- Near-term dependent on the development of restrictions across England, Wales and Scotland
- Significant cash liquidity to absorb impact of current restrictions
- Government support through reduced VAT, the business rates holiday and other taxes remains necessary

- The adoption of recently announced vaccines, and the lifting of restrictive measures affecting pubs, are critical to the recovery of trade to normal levels
- Clear strategy, strong team well placed to take advantage of return to normality

Financial Highlights

	Underlying			Total	
	2020	**2019**		**2020**	**2019**
Total revenue	**£821.0m**	**£1,173.5m**		**£821.0m**	**£1,173.5m**
Total (loss)/profit before tax	**£(22.0)m**	**£95.1m**		**£(397.1)m**	**£(20.1)m**
(Loss)/earnings per share	**(1.7)p**	**12.7p**		**(56.8)p**	**(2.8)p**
Net cash flow	**£50.5m**	**£(10.5)m**			

- The financial performance for the year reflects the impact of the closure of the pub estate for 15 weeks from 20th March. Our pubs estate reopened on 4th July subject to social distancing restrictions and further restrictions were introduced in September, most notably a 10pm curfew on trading.
- The statutory loss before tax reflects a non-cash impairment charge of £305.7 million for goodwill and property, plant and equipment, triggered by the COVID-19 situation.
- The business has a strong balance sheet position. As at the balance sheet date, the Group had drawn down £270 million of a £360 million bank facility providing headroom of £90 million. In October 2020 the Group received net proceeds of £233 million in respect of the JV. Consequently, the facility, which is in place to 2024, has been reduced to £280 million, but with significantly improved liquidity relative to the 2020 year-end.
- The financial figures above combine the total revenue and earnings of both continuing and discontinued operations in the period.

Commenting, Ralph Findlay, CEO said:

"*2020 has been an extraordinarily difficult year for the pub and wider hospitality sector which has been particularly hard hit by the pandemic. I would like to thank the entire team at Marston's for their loyalty, dedication and hard work in such trying circumstances.*

"Whilst short-term uncertainty remains, we have taken swift action to future-proof the business to withstand the challenges presented by the pandemic and Marston's has emerged a significantly stronger business, with a substantially strengthened balance sheet and well placed to rebuild trading momentum when restrictions are eased. The roll out of the vaccine is clearly critical to that, but in the meantime the sector continues to face major challenges and Government support will need to continue in order for many viable businesses to survive.

"Looking forward, Marston's has entered the current year fit for the future and excited about the next chapter in the Company's development as a focussed pub and accommodation operator. We look forward to realising the potential of the Group's brewing JV with Carlsberg and wish the team at CMBC every success. There is clear evidence that consumer demand for our pubs remains strong and our geography, as a predominantly community pub operator with 90% of our well invested, high quality pubs located outside city centres, leaves Marston's well placed to leverage the market opportunities available to us over the medium to longer term."

***Prior year was a 52-week period to 28 September 2019**
****Like-for-like sales is defined as sales this year compared to sales in the previous year of the same pubs trading in both periods, expressed as a percentage**
*****Peach Tracker**
******Net cash flow is defined as the change in debt resulting from cash flows**

ENQUIRIES:

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Ralph Findlay,	Chief Executive Officer	Justine Warren	
Andrew Andrea,	Chief Financial and Corporate Development Officer	Matthew Smallwood	

NOTES TO EDITORS

- Marston's is a leading pub operator with a 40% holding in Carlsberg Marston's Brewing Company
- It has an estate of 1,368 pubs situated nationally, comprising managed, franchised and leased pubs

GROUP OVERVIEW

2020 PERFORMANCE OVERVIEW

The 2020 results were significantly impacted by the COVID-19 pandemic in March 2020, including a 15-week period of enforced closure to 4 July, and various subsequent trading restrictions in place since reopening. During the period of closure, our focus was on supporting our people at a time of great uncertainty, ensuring that our financial position was robust, delivering the joint venture between Marston's Beer Company and Carlsberg and planning for the reopening of our pubs on 4 July.

Following the transformational Beer Company transaction described below, which completed on 30 October 2020, we have a significantly strengthened balance sheet, a high-quality freehold pub estate well placed to recover from the impact of the pandemic and a 40% investment in the Carlsberg Marston's Brewing Company with significant synergy and growth opportunities.

Following the disposal of the Beer Company we now have a clear, simplified and focused pub strategy underpinned by three core pillars: Guest Obsessed, Raise the Bar and We Will Grow, described in more detail below. Our financial strategy continues to be focused on debt reduction, with a revised target of net borrowings (excluding lease obligations) to be below £1 billion by financial year 2024.

Trading

Group sales for the 53 weeks ending 3 October 2020 were £821 million, 30% below last year. Total Pubs and Bars sales for the year were £516 million, 34% below last year, principally reflecting the 15-week closure period and the impact of the disposal of 172 pubs for proceeds of £61 million in the first half year. In Brewing, sales for the year were £306 million, 22% below last year. Off trade volumes for the year were up 23%, driven by exceptional demand during the period of pub closure. On trade volumes (excluding the closure period) were 11% below last year.

Overall, underlying trading prior to 16 March was solid, including strong Christmas and New Year trading, despite the impact of the severe and widespread flooding in November 2019, and again in February this year. Like-for-like sales in pubs for the 24 weeks to 14 March were down 1% and Beer Company earnings were in line with expectations. In the week commencing 16 March, when the Government issued COVID-19 guidance to the hospitality venues, unsurprisingly trading deteriorated sharply. All pubs were subsequently closed in line with Government guidance on 20 March.

Since 4 July, we had reopened approximately 99% of our pubs by the year end, though a small number closed subsequently as revised regulations were introduced in Scotland where we have 21 pubs. Managed and franchised like-for-like sales averaged 90% of last year over the 13-week period to 3 October. This represented outperformance of approximately 7% relative to the UK pub sector (CGA Peach Tracker) over the 13-week period, principally reflecting the benefits of our balanced pub estate of wet-led and food-led pubs, which are predominantly suburban and community based, with limited exposure to city centres and only three pubs in Central London.

The results for the period reflect the adoption of IFRS 16 'Leases', details of which are set out in note 11 of the accounts. In summary, as previously announced, this change to the accounting rules has no impact on cash flow but has increased the underlying loss before tax by £3.2 million and increased reported total net borrowings, as described below, to reflect lease obligations not previously recognised as debt on the balance sheet.

The financial consequences of pub closures due to COVID-19, for the duration of the 15-week period of enforced closure, subsequent restrictions and local lockdowns in many areas across the country, are reflected in significantly reduced profit. Underlying EBITDA was £125.6 million (2019: £215.0 million), and total underlying operating profit was £74.0 million (2019: £172.8 million). The total underlying loss before tax was £22.0 million (2019: £95.1 million profit). The basic underlying loss per share for the period was 1.7 pence per share (2019: 12.7 pence earnings per share).

On a statutory basis, the total loss before tax was £397.1 million (2019: £20.1 million), and the loss per share was 56.8 pence per share (2019: 2.8 pence per share). The difference between underlying and statutory loss before tax is £375.1 million of exceptional items, of which £338 million were non-cash items, which are described in further detail below.

Managing COVID-19

In response to the temporary closure of pubs mandated by Government in March, our focus was to minimise the level of cash burn within the organisation. Actions included:

- Reducing all expenditure, including capital spend, to essential spend only
- Taking advantage of the Government furlough scheme with 93% of employees being furloughed and remaining employees taking a 20% reduction in salary
- Securing covenant amendments and waivers in our bank and securitisation facilities
- Accessing Government grants and relief, including supporting our tenants by assisting them to claim the relief
- Maintaining a mental wellbeing programme to support affected employees

In addition, and as previously announced, given the ongoing uncertainty surrounding COVID-19 no dividends will be paid in respect of financial year 2020.

Most importantly we would like to thank our teams for their perseverance through this challenging time. Through their fantastic efforts, we reopened in July and went the extra mile in providing our guests with great experiences whilst ensuring we complied with Government guidelines. As a consequence, we outperformed the market in the final 13 weeks of the period and this is all down to them.

Cash flow, Financing and Balance Sheet

Despite the trading challenges described above, prudent cash management resulted in a net cash inflow for the period of £51 million, a £61 million improvement on 2019. In comparison with 2019, cash flow benefited from reduced capital investment (including the cessation of new-build investment in 2019), £75 million of disposal proceeds from the sale of 172 pubs and the suspension of dividends in 2020. Operating cash flow of £157 million reflected lower earnings, partially offset by improved working capital including the agreed deferral of duty and VAT payments to HMRC.

Net borrowings, excluding IFRS 16 lease commitments, was £1,329 million (2019: £1,377 million), with the decrease driven by the cash actions described above. Total net debt of £1,633 million includes lease obligations of £304 million following the adoption of IFRS 16.

Following the enforced closure of pubs, we were successful in reaching agreement with our bank syndicate and bondholders to make appropriate covenant amendments in respect of certain financial covenants, and to provide waivers where necessary. These included strong support from bondholders for covenant waivers and amendments to April 2021 and the adoption of liquidity and profit covenants with banks and private placement providers to July 2021. This collaborative approach was helped by open and constructive dialogue in a period of great uncertainty and underlines the importance of good, long-term relationships with all our stakeholders.

We have secure medium-term financing in place. At the period end we had a £360 million bank facility available until 2024, of which £270 million was drawn providing headroom of £90 million, significantly better than our prudent forecasts. An additional £70 million facility agreed in May 2020 to provide further short-term liquidity remained undrawn and has now been cancelled as it is not required. We also have a £40 million private placement in place until 2024.

The joint venture between Carlsberg UK and Marston's Beer Company completed on 30 October 2020 and on completion, we received initial proceeds of £233 million which were used to further reduce debt. The £360 million bank facility has been reduced to £280 million, which remains available until 2024.

We also have secure long-term financing in place. We utilised £15 million of the securitisation liquidity facility to satisfy the July quarter-end principal and interest payments. However, for the quarter to October 2020 we generated sufficient funds from operations to make payments and to repay £5 million of the liquidity facility, demonstrating that we are more than able to meet securitised debt obligations despite the current trading restrictions being in place.

In summary, we have significant headroom in our bank facility to provide operational liquidity, and a securitisation liquidity facility to protect bondholder payments for at least 18 months should that be required in the event of further interruptions to trading. Our cash preservation actions described below, together with the government financial support on VAT and Business Rates, mean our ongoing weekly cash burn in a full closure scenario (not the part closedown we are now in) is estimated to be around £3-4 million per week.

Inevitably, in the event of additional restrictions in the coming months it is possible that further covenant amendments may be required depending on the nature of any restrictions introduced, and their duration. Whilst there is no certainty that these amendments will be granted (this has been disclosed as a material uncertainty in the financial statements), given our experiences to date we are confident of securing these where necessary.

Furthermore, the COVID-19 situation has triggered impairment reviews of goodwill, property, plant and equipment and right-of-use assets. The total value of these impairments, as described in the notes to the accounts is £461 million. Clearly this has distorted the net asset value of the Group in the short term at the balance sheet date. However, a degree of this is purely a result of timing as this will be significantly offset in 2021 by the positive impact of the completion of the joint venture with Carlsberg reflecting the cash received from the disposal of the Beer business into the joint venture and the carrying value of the Group's share of the joint venture moving forwards. The profit on disposal is estimated to be around £280 million and the spot value of the contingent payment on 4th December was around £20 million, which will increase NAV per share by approximately 48 pence in the FY 2021.

Joint Venture with Carlsberg UK

On 22 May 2020, the Group announced that it had entered into an agreement to contribute its brewing business, valued at up to £580 million on a debt free/cash free basis, to a new UK brewing joint venture with Carlsberg, the Carlsberg Marston's Brewing Company, in return for 40 per cent of the equity in the joint venture. Under the agreement, Carlsberg would also contribute its UK brewing assets, valued at £200 million on a debt free/cash free basis, in return for 60 per cent of the equity in the joint venture.

On completion, the Group would realise up to £273 million in the form of a cash equalisation payment, which is subject to adjustment in respect of: (i) customary working capital and debt/cash adjustments, and (ii) £5 million of other adjustments. Of the up to £273 million equalisation payment, £34 million is deferred for 12 months from completion with the amount payable contingent on the extent of the recovery of the share price performance of a pre-agreed basket of companies to pre-COVID-19 levels.

The transaction completed on 30 October 2020 with initial proceeds of £233 million received on completion.

As stated above under Cash flow and Financing, the cash proceeds have provided Marston's with significant liquidity to materially reduce debt in line with our stated strategy, whilst at the same time retaining a significant stake in the joint venture and being able to benefit from significant synergy and growth opportunities.

Outlook

Following the recent Government announcements on the Tier system and criteria, the winter months will be both challenging and uncertain and 780 pubs remain closed after the November lockdown.

Our experiences from the Spring helped us to swiftly and efficiently respond to the constantly moving restrictions imposed since the year end, with pub teams furloughed where appropriate, and the cessation of all non-essential spend. In addition, we have been able to minimise the extent of stock losses given the slightly longer notice period.

During the period of closure our focus is on the future. Following the disposal of the Beer Company into the joint venture with Carlsberg, we are singularly focused on operating a great pub business. As described in the strategy section below, the initial lockdown provided an opportunity to review all parts of our business, from improving commercial efficiency through to development of technology. In this current period of shutdown, this gives us an opportunity to further develop and evolve those plans, ensuring we are well placed to take advantage of the significant trading opportunity that will emerge as restrictions are eased.

Looking forward, the outlook does look more positive. The Prime Minister has strongly intimated that restrictions will ease in the Spring and there is increasing confidence that an effective vaccination programme can be implemented. Our c90% freehold pub estate is predominately located outside of the challenged city centres and our experiences of trading since 4 July demonstrate that consumer demand is strong – our guests want to go out and socialise and we are confident they will do as soon as they are permitted. Importantly, with the development of the vaccine, the more vulnerable groups, who are a key part of our business, should have more confidence in returning to pubs.

Finally, and most importantly, we have an incredible team at Marston's. We have worked hard to protect as far as possible the livelihoods and wellbeing of our team members and our tenanted, leased and other partners. Our focus on "doing the right thing" for our people will pay dividends – we have a loyal, hardworking group of people eager to welcome our guests back into our pubs and again provide them with great experiences.

STRATEGIC PRIORITIES

MARKET ENVIRONMENT

Since reopening in July 2020, our priorities have been the safety of our guests and employees, retaining ambience and high levels of service, and being financially sustainable.

How behaviours change as the market 'normalises' remains to be seen, but we expect that the trends below are likely to continue for the foreseeable future. Marston's pub estate is well positioned to take advantage of these trends over time.

Celebrating and socialising outside the home matters more: during the lockdown, there was uncertainty about how and to what extent people would resume 'old habits' when pubs reopened. Following the 15-week closure period, consumer confidence increased steadily throughout July, August and into September in both the drinking-out and eating-out market. Community pubs performed particularly strongly. There is no question that demand remains strong as demonstrated by the performance of our pubs during the Eat Out to Help Out campaign in August.

Convenience and functional reasons to visit matter less: these are still important, but lockdown introduced home delivery from supermarkets and restaurants on a much greater scale than had previously been the case. Convenience dining at home has never been easier: at the same time, when people do visit pubs, there is a much higher expectation that the experience will make the effort worthwhile.

Value for experience is replacing price discounting as the motivation to visit pubs: the eating-out sector has been impacted by extensive and severe price discounting in recent years. COVID-19 related capacity constraints to comply with social distancing requirements have been a catalyst for an increased focus on improved customer experience. Better quality in food and drink, and improved service, are facilitating a move away from unsustainable price promotion towards more premium offers.

On-trade supply in the eating-out market is falling: in recent years capacity has expanded through an increase in casual dining brands and restaurants despite the fact that demand in the eating-out market has been relatively subdued. In recent months, supply has contracted significantly, with financial distress illustrated by high profile administrations and insolvencies and we would expect this trend to continue over the remainder of the year. Reduced supply is likely to benefit existing operators, and home delivery.

Suburban pubs benefit from increased homeworking: 'lockdown' has created a shift towards homeworking and the rapid growth in new video conferencing applications. The extent to which this remains in the future is not clear but both businesses and employees see at least some benefits in retaining more flexible working patterns. Our pub estate is primarily suburban, with relatively few city centre locations, and is well placed to exploit this trend.

Technology has become mainstream: our desire to operate safely led to an acceleration in the implementation of table ordering apps (and Track & Trace systems), at a pace that would not have been thought possible prior to the pandemic. Not only have these systems been implemented quickly, they have been positively embraced by guests.

FINANCIAL STRATEGY

In 2019 we set out a target to reduce net borrowings to below £1.2 billion. Following the completion of the joint venture between Carlsberg UK and Marston's Beer Company, and the corresponding receipt of £233 million in October 2020, our borrowings are significantly reduced.

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

We have further reviewed our financial strategy and have concluded that our aim to reduce debt should continue and we have set a revised target to reduce net debt before IFRS 16 lease obligations to below £1 billion by financial year 2024.

This target is expected to be achieved through:

- Cash from operations, including the benefit of c£5 million per annum of overhead savings to be implemented in 2021.
- A more focused approach to capital allocation, targeting enhanced returns on the existing estate. This includes the suspension of new openings for the foreseeable future.
- Tight control of capital expenditure of £40-45 million per annum including £10 million of growth capital.

- Disposal of non-core assets of around £10 million per annum.
- Reduced interest payments as a result of lower borrowings.
- Lower levels of dividend payment reflecting the dividend considerations described below.
- Receipt of dividends from the Carlsberg Marston's Brewing Company.

As part of our response to the COVID-19 crisis we suspended dividend payments and a decision has not yet been made regarding the timing of reinstatement of dividends. Our dividend policy moving forwards will be based on cash cover, rather than on historical earnings cover, and it is likely that any dividends paid should be covered by underlying cash flow after principal repayments of securitised bonds.

OPERATIONAL STRATEGY – 'GUEST AT THE HEART'

Clearly, as described above, COVID-19 has significantly changed the dynamics of the market and in the last year our focus has been on the immediate responses to the challenges presented by the crisis.

Following the sale of Marston's Beer Company into the joint venture with Carlsberg UK, we have become a focused pub operator for the first time in the Group's long history. We have taken this opportunity to revisit our operational strategy, which can be summarised as developing a culture which places 'Guests at the heart of everything we do'. That has involved an internal reorganisation of our pub management structure which is outlined below.

There are three core pillars to our strategy as described below.

PILLAR 1: BEING GUEST OBSESSED

Ways of Working

Embedding a guest obsessed people strategy across the business and all disciplines in a consistent manner as a single and consistent cultural message is central to realising our vision. At the same time, we are seeking to simplify processes and streamline structures across the business to support the delivery of that guest obsessed culture.

To that end, from 1 October 2020, we centralised support structures including marketing, procurement, finance and HR which had supported our Destination, Taverns and Premium businesses, and brought those businesses together under the single umbrella which is Marston's Pubs. Our Executive is now comprised of a team with long service within Marston's and the pub sector generally.

Marston's Pubs has two Operations Directors who are responsible for food-led and wet-led pubs respectively. The Premium pubs & bars business, which includes Revere, has been consolidated within this structure. We have also created a single Marketing and Commercial Director role for Marston's Pubs. This role is central to the development of guest insight and the strategic direction for marketing, as well as procurement, menu development and food and drink quality.

Guest Satisfaction

In seeking to ensure that our decisions are based on insight, guest satisfaction and the evaluation and improvement of satisfaction scores over time, is a key performance indicator. This year we have invested in new feedback systems across our estate, and we are also implementing rigorous issues management processes which will more clearly define how guest comments are handled and resolved.

PILLAR 2: RAISE THE BAR

Value for Experience

Focusing on 'value for experience' recognises that, as described above under our Strategic Priorities, value is measured in a range of ways, and experience is likely to be just as important as price when considering which pub to go to. Those experiences can relate to celebration, socialising, teams, community engagement, music, service – but they provide reasons to make 'going out' worthwhile and memorable.

Clearly, value for money remains very important, but higher quality food and drink and investment in improved service and ambience are critical in competing with the convenience of home delivery. The eating-out sector has suffered from unsustainable price promotion in recent years, partly due to overcapacity in casual dining, but recent trends indicate that consumers are willing to pay more if the experience is good enough and sufficiently differentiated.

In assessing our current position in relation to value for experience, we are already strong in wet-led and community pubs, but need to make further improvements in our food-led pubs. The input of the new Marketing and Commercial team will be key to determining the next steps towards improved food and drink quality in food-led pubs. Our objective is very clear: to create a pub estate that is locally loved by our guests throughout the country.

Property – clear investment strategy, regular maintenance

Our property plans will ensure that each of our pubs and bars is maintained to a high standard and retains a characterful pub ambience.

Operational excellence

In 2019, and in the first half of this year, we made progress in improving Guest Satisfaction scores, EHO ratings, and our own food hygiene scores. This has been achieved by enhanced operational focus (including the incorporation of these measures into bonus schemes) and the creation of four new roles in the centre to assist in improving standards.

We have been encouraged that, since reopening in July, we have made further improvements on all these measures and achieved very high scores in relation to COVID-19 safety measures. This included achieving very high compliance with Track & Trace requests in our food-led pubs.

The simplification of our management structure detailed under Ways of Working above will, we believe, enable us to achieve better and more consistent operating standards across the business, to align our people around the guest obsessed culture, and further improve standards.

PILLAR 3: WE WILL GROW

The market backdrop described above highlights the significant opportunities for organic growth in the medium term. As such we are instilling into our organisation belief that growth is achievable, and that we will invest in our people, pubs and offers to achieve it. There are four key areas of focus:

More from existing guests and welcoming new guests

As described above the market and social dynamics that have emerged from the COVID-19 crisis present opportunities for our well-positioned estate and (post the creation of the joint venture with Carlsberg UK) our refocused business to target increased frequency of guest visits and increased 'spend per head'.

More from our People
We have made steady progress in developing our teams in the last couple of years, which has involved both internal development and external recruitment. However, in order to exploit future growth opportunities, we will be more rigorous in developing our teams across the organisation, including the coaching and development of senior management, and in succession planning.

More from simplification
Simplification of the business is not just a measure to improve efficiency and reduce costs. Through maintaining a philosophy of simplicity, we will constantly challenge ourselves that we are doing fewer things delivered to an excellent standard, with the aim of driving higher guest satisfaction.

More from capex
We have allocated modest levels of growth capex into our medium-term plans, ensuring these funds are deployed to generate maximum return. We have made it clear to our teams that consistent delivery of high return on organic growth capex will ensure the allocation of additional spend in future years.

Clearly, it is difficult to set out quantitative evidence of progress on the above from our 2020 results, but we will update on progress on our pillars once the sector has returned to more normalised levels of trade.

PERFORMANCE AND FINANCIAL REVIEW

	Revenue		Underlying operating profit		Underlying operating margin	
	2020	2019	**2020**	2019	**2020**	2019
	£m	£m	**£m**	£m	**%**	%
Pubs and Bars	**515.5**	784.2	**84.7**	167.5	**16.4**	21.4
Brewing	**305.5**	389.3	**17.3**	32.6	**5.7**	8.4
Group Services	**-**	-	**(28.0)**	(27.3)	**(3.4)**	(2.3)
Group	**821.0**	1,173.5	**74.0**	172.8	**9.0**	14.7

Pubs and Bars

Total revenue decreased by 34.3% to £515.5 million principally reflecting the impact of COVID-19 as described above and the impact of the disposal of 172 pubs. Total like-for-like sales were 3.6% behind last year.

Underlying operating profit was £84.7 million (2019: £167.5 million). Reported underlying operating margin of 16.4% is below last year reflecting the weaker turnover.

Brewing

Total revenue decreased by 21.5% to £305.5 million. Underlying operating profit was £17.3 million (2019: £32.6 million). Underlying operating margin of 5.7% was below last year again reflecting the impact of the weaker turnover.

Taxation

The total underlying rate of taxation of 52.3% in 2020 (2019: 15.7%) is above the standard rate of corporation tax. This means that the tax credit is higher than expected due to a prior year adjustment to deferred tax in respect of the net book value of assets qualifying for capital allowances.

Non-underlying items

There is a net non-underlying charge of £349.1 million after tax, of which £324.7 million relates to continuing operations and £24.4 million relates to discontinued operations.

The charge in respect of continuing operations primarily relates to the goodwill impairment of £200.6 million and the impairment review of the pub estate in the period, which resulted in a £105.1 million charge to the income statement.

There is also a £22.4 million loss on disposal and associated costs from portfolio disposals of smaller wet-led leased, tenanted and franchised pubs and associated properties, and £18.5 million of associated costs/charges from COVID-19, principally comprising bad debt provisions, stock write-offs and financing costs.

In addition, there are net credits of £4.2 million in respect of VAT claims, a charge of £0.9 million from the write-off of acquisition and development costs, a charge of £0.6 million in respect of the net interest on the net defined benefit pension asset/liability and a £6.4 million net loss in respect of interest rate swap movements. There is a credit of £23.8 million relating to the tax on non-underlying items and a credit of £1.8 million in relation to the change in corporation tax rate.

The charge in respect of discontinued operations relates to the impact of COVID-19, disposal costs and the impairment of central assets associated with discontinued operations.

Capital expenditure and disposals

Capital expenditure was £63.7 million in the year (2019: £133.8 million). We expect that capital expenditure will be around £40-45 million in 2021.

Notes:
-Prior period was a 52-week period to 28th September 2019
-Revenue and earnings numbers reflect the combination of both continuing and discontinued operations

GROUP INCOME STATEMENT
For the 53 weeks ended 3 October 2020

	2020			2019 (Restated)		
	Underlying £m	**Non-underlying (note 3) £m**	**Total £m**	Underlying £m	Non-underlying (note 3) £m	Total £m
Continuing operations						
Revenue	**515.5**	**-**	**515.5**	784.2	-	784.2
Operating expenses	**(458.8)**	**(342.2)**	**(801.0)**	(644.0)	(59.3)	(703.3)
Operating profit/(loss)	**56.7**	**(342.2)**	**(285.5)**	140.2	(59.3)	80.9
Finance costs	**(96.1)**	**(2.7)**	**(98.8)**	(77.2)	(0.6)	(77.8)
Finance income	**1.0**	**1.0**	**2.0**	0.4	0.5	0.9
Interest rate swap movements	**-**	**(6.4)**	**(6.4)**	-	(48.7)	(48.7)
Net finance costs	**(95.1)**	**(8.1)**	**(103.2)**	(76.8)	(48.8)	(125.6)
(Loss)/profit before taxation	**(38.4)**	**(350.3)**	**(388.7)**	63.4	(108.1)	(44.7)
Taxation	**14.6**	**25.6**	**40.2**	(8.8)	16.1	7.3
(Loss)/profit for the period from continuing operations	**(23.8)**	**(324.7)**	**(348.5)**	54.6	(92.0)	(37.4)
Discontinued operations						
Profit/(loss) from discontinued operations	**13.3**	**(24.4)**	**(11.1)**	25.6	(5.9)	19.7
(Loss)/profit for the period attributable to equity shareholders	**(10.5)**	**(349.1)**	**(359.6)**	80.2	(97.9)	(17.7)

(Loss)/earnings per share:	**2020 p**	2019 (Restated) p
Basic (loss)/earnings per share		
Total	**(56.8)**	(2.8)
Continuing	**(55.1)**	(5.9)
Discontinued	**(1.8)**	3.1
Basic underlying (loss)/earnings per share		
Total	**(1.7)**	12.7
Continuing	**(3.8)**	8.6
Discontinued	**2.1**	4.0
Diluted (loss)/earnings per share		
Total	**(56.8)**	(2.8)
Continuing	**(55.1)**	(5.9)
Discontinued	**(1.8)**	3.1
Diluted underlying (loss)/earnings per share		
Total	**(1.7)**	12.7
Continuing	**(3.8)**	8.6
Discontinued	**2.1**	4.0

The comparative information for the 52 weeks ended 28 September 2019 has been restated for the prior period adjustments detailed in note 9 and the asset class split detailed in note 10. The comparatives have also been represented to show discontinued operations separately from continuing operations.

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the 53 weeks ended 3 October 2020

	2020 £m	2019 (Restated) £m
Loss for the period	**(359.6)**	(17.7)
Items of other comprehensive income that may subsequently be reclassified to profit or loss		
Losses arising on cash flow hedges	**(3.8)**	(20.5)
Transfers to the income statement on cash flow hedges	**21.3**	11.2
Tax on items that may subsequently be reclassified to profit or loss	**(0.3)**	1.5
	17.2	(7.8)
Items of other comprehensive income that will not be reclassified to profit or loss		
Remeasurement of retirement benefits	**(6.5)**	(54.7)
Unrealised surplus on revaluation of properties	**-**	2.8
Reversal of past revaluation surplus	**(151.2)**	(25.1)
Tax on items that will not be reclassified to profit or loss	**17.7**	10.6
	(140.0)	(66.4)
Other comprehensive expense for the period	**(122.8)**	(74.2)
Total comprehensive expense for the period attributable to equity shareholders	**(482.4)**	(91.9)

Other comprehensive expense for the current and prior period relates wholly to continuing operations.

GROUP CASH FLOW STATEMENT

For the 53 weeks ended 3 October 2020

	2020 £m	2019 (Restated) £m
Operating activities		
Underlying operating profit	**74.0**	172.8
Depreciation and amortisation	**51.6**	42.2
Underlying EBITDA	**125.6**	215.0
Non-underlying operating items	**(367.0)**	(66.4)
EBITDA	**(241.4)**	148.6
Working capital movement	**71.9**	10.3
Non-cash movements	**334.1**	52.1
Increase/(decrease) in provisions and other non-current liabilities	**1.0**	(3.4)
Difference between defined benefit pension contributions paid and amounts charged	**(7.3)**	(3.0)
Income tax paid	**(1.8)**	(9.0)
Net cash inflow from operating activities	**156.5**	195.6
Investing activities		
Interest received	**1.5**	0.5
Sale of property, plant and equipment and assets held for sale	**74.9**	49.8
Purchase of property, plant and equipment and intangible assets	**(63.7)**	(133.8)
Movement in trade loans	**1.2**	0.3
Finance lease capital repayments received	**1.5**	-
Net transfer from other cash deposits	**-**	118.0
Net cash inflow from investing activities	**15.4**	34.8
Financing activities		
Equity dividends paid	**(30.4)**	(47.5)
Interest paid	**(91.0)**	(74.4)
Arrangement costs of bank facilities	**-**	(1.1)
Proceeds from sale of own shares	**-**	0.1
Repayment of securitised debt	**(33.4)**	(31.7)
Repayment of bank borrowings	**(60.7)**	(0.7)
Advance of bank borrowings	**-**	48.6
Capital element of lease liabilities repaid	**(8.3)**	(7.5)
Advance/(repayment) of other borrowings	**55.0**	(120.0)
Net cash outflow from financing activities	**(168.8)**	(234.2)
Net increase/(decrease) in cash and cash equivalents	**3.1**	(3.8)

GROUP BALANCE SHEET

As at 3 October 2020

	3 October 2020 £m	28 September 2019 (Restated) £m	29 September 2018 (Restated) £m
Non-current assets			
Goodwill	**-**	230.3	230.3
Other intangible assets	**32.5**	88.5	70.0
Property, plant and equipment	**2,038.3**	2,306.1	2,361.6
Other non-current assets	**17.5**	9.3	9.6
Deferred tax assets	**16.7**	5.8	-
Retirement benefit surplus	**-**	-	15.6
	2,105.0	2,640.0	2,687.1
Current assets			
Inventories	**10.4**	43.6	44.6
Trade and other receivables	**16.2**	90.9	104.9
Current tax assets	**8.0**	-	-
Other cash deposits	**2.0**	2.0	120.0
Cash and cash equivalents	**40.6**	37.6	41.4
	77.2	174.1	310.9
Assets held for sale	**349.7**	1.7	2.3
	426.9	175.8	313.2
Current liabilities			
Borrowings	**(64.7)**	(54.9)	(158.4)
Derivative financial instruments	**(37.0)**	(19.9)	(14.6)
Trade and other payables	**(222.1)**	(248.3)	(252.2)
Current tax liabilities	**-**	(1.7)	(4.0)
Provisions for other liabilities and charges	**(1.1)**	(2.6)	(2.8)
	(324.9)	(327.4)	(432.0)
Liabilities held for sale	**(111.0)**	-	-
	(435.9)	(327.4)	(432.0)
Non-current liabilities			
Borrowings	**(1,610.9)**	(1,383.4)	(1,389.0)
Derivative financial instruments	**(187.4)**	(215.6)	(162.9)
Other non-current liabilities	**(3.9)**	(2.6)	(1.5)
Provisions for other liabilities and charges	**(7.7)**	(19.7)	(22.5)
Deferred tax liabilities	**-**	(56.5)	(73.8)
Retirement benefit obligations	**(37.2)**	(36.4)	-
	(1,847.1)	(1,714.2)	(1,649.7)
Net assets	**248.9**	774.2	918.6
Shareholders' equity			
Equity share capital	**48.7**	48.7	48.7
Share premium account	**334.0**	334.0	334.0
Revaluation reserve	**430.6**	573.4	600.2
Merger reserve	**23.7**	23.7	23.7
Capital redemption reserve	**6.8**	6.8	6.8
Hedging reserve	**(108.7)**	(125.9)	(118.1)
Own shares	**(111.9)**	(112.0)	(112.3)
Retained earnings	**(374.3)**	25.5	135.6
Total equity	**248.9**	774.2	918.6

GROUP STATEMENT OF CHANGES IN EQUITY
For the 53 weeks ended 3 October 2020

	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 29 September 2019 (as originally reported)	48.7	334.0	598.9	23.7	6.8	(125.9)	(112.0)	36.9	811.1
Prior period adjustment	-	-	-	-	-	-	-	3.6	3.6
Adjustment for asset class split	-	-	(29.9)	-	-	-	-	(14.4)	(44.3)
Tax impact of asset class split	-	-	4.4	-	-	-	-	(0.6)	3.8
At 29 September 2019 (as restated)	48.7	334.0	573.4	23.7	6.8	(125.9)	(112.0)	25.5	774.2
Adjustment for adoption of IFRS 16	-	-	-	-	-	-	-	(15.9)	(15.9)
Tax impact of IFRS 16 adjustment	-	-	-	-	-	-	-	3.0	3.0
At 29 September 2019 (as adjusted)	48.7	334.0	573.4	23.7	6.8	(125.9)	(112.0)	12.6	761.3
Loss for the period	-	-	-	-	-	-	-	(359.6)	(359.6)
Remeasurement of retirement benefits	-	-	-	-	-	-	-	(6.5)	(6.5)
Tax on remeasurement of retirement benefits	-	-	-	-	-	-	-	2.0	2.0
Losses on cash flow hedges	-	-	-	-	-	(3.8)	-	-	(3.8)
Transfers to the income statement on cash flow hedges	-	-	-	-	-	21.3	-	-	21.3
Tax on hedging reserve movements	-	-	-	-	-	(0.3)	-	-	(0.3)
Property impairment	-	-	(151.2)	-	-	-	-	-	(151.2)
Deferred tax on properties	-	-	15.7	-	-	-	-	-	15.7
Total comprehensive (expense)/income	-	-	(135.5)	-	-	17.2	-	(364.1)	(482.4)
Share-based payments	-	-	-	-	-	-	-	0.4	0.4
Sale of own shares	-	-	-	-	-	-	0.1	(0.1)	-
Transfer disposals to retained earnings	-	-	(8.1)	-	-	-	-	8.1	-
Transfer tax to retained earnings	-	-	0.8	-	-	-	-	(0.8)	-
Dividends paid	-	-	-	-	-	-	-	(30.4)	(30.4)
Total transactions with owners	-	-	(7.3)	-	-	-	0.1	(22.8)	(30.0)
At 3 October 2020	**48.7**	**334.0**	**430.6**	**23.7**	**6.8**	**(108.7)**	**(111.9)**	**(374.3)**	**248.9**

GROUP STATEMENT OF CHANGES IN EQUITY
For the 52 weeks ended 28 September 2019

	Equity share capital £m	Share premium account £m	Revaluation reserve (Restated) £m	Merger reserve £m	Capital redemption reserve £m	Hedging reserve £m	Own shares £m	Retained earnings (Restated) £m	Total equity (Restated) £m
At 30 September 2018 (as originally reported)	48.7	334.0	627.2	23.7	6.8	(118.1)	(112.3)	147.6	957.6
Prior period adjustment	-	-	-	-	-	-	-	3.6	3.6
Adjustment for asset class split	-	-	(31.6)	-	-	-	-	(14.9)	(46.5)
Tax impact of asset class split	-	-	4.6	-	-	-	-	(0.7)	3.9
At 30 September 2018 (as restated)	48.7	334.0	600.2	23.7	6.8	(118.1)	(112.3)	135.6	918.6
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 adjusted)	48.7	334.0	600.2	23.7	6.8	(118.1)	(112.3)	130.1	913.1
Loss for the period	-	-	-	-	-	-	-	(17.7)	(17.7)
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	-	-	(25.1)	-	-	-	-	-	(25.1)
Deferred tax on properties	-	-	1.3	-	-	-	-	-	1.3
Total comprehensive expense	-	-	(21.0)	-	-	(7.8)	-	(63.1)	(91.9)
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	-	-	(6.8)	-	-	-	-	6.8	-
Transfer tax to retained earnings	-	-	1.0	-	-	-	-	(1.0)	-
Dividends paid	-	-	-	-	-	-	-	(47.5)	(47.5)
Total transactions with owners	-	-	(5.8)	-	-	-	0.3	(41.5)	(47.0)
At 28 September 2019 (as restated)	**48.7**	**334.0**	**573.4**	**23.7**	**6.8**	**(125.9)**	**(112.0)**	**25.5**	**774.2**

NOTES

1 ACCOUNTING POLICIES

Basis of preparation
The financial information for the 53 weeks ended 3 October 2020 (2019: 52 weeks ended 28 September 2019) 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 effective freehold land and buildings, certain financial instruments, retirement benefits and share-based payments.

Prior period adjustments
The Group has identified adjustments to prior periods regarding the amount of deferred tax recognised in respect of land and buildings which were held under finance leases under IAS 17 'Leases' and the split of derivative financial instruments between non-current and current liabilities. As such the comparatives for the 52 weeks ended 28 September 2019 have been restated in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Full details are provided in note 9.

Asset class split
The Group has split the land and buildings asset class within property, plant and equipment into an effective freehold class, held under the revaluation model, and a leasehold class, held under the cost model. This change has been applied retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and as such the comparatives for the 52 weeks ended 28 September 2019 have been restated. Full details are provided in note 10.

Adoption of IFRS 16 'Leases'
The Group has adopted IFRS 16 'Leases' in the current period using the modified retrospective approach in paragraph C5(b) of the standard, whereby comparative amounts have not been restated and the cumulative effect of initially applying the standard has been recognised as an adjustment to opening retained earnings at 29 September 2019. IFRS 16 introduces an 'on balance sheet' model for lessees and as such the Group has recognised a lease liability within borrowings in respect of the majority of its previous operating leases along with either a right-of-use asset in property, plant and equipment or a finance lease receivable (for some sublet properties). The rental payments/receipts previously charged/credited to the income statement are treated as repayments of the lease liability/finance lease receivable and the income statement now includes depreciation of the right-of-use asset and interest on the lease liability/finance lease receivable. Further details of the adoption of IFRS 16 are provided in note 11.

Going concern
The impact of COVID-19 on the economy and the hospitality industry has resulted in heightened uncertainty about the future financial performance of the Group and the Company, which could cast significant doubt over the Group's ability to trade as a going concern. The COVID-19 pandemic has resulted in a variety of temporary operating restrictions and it is not clear when these restrictions, such as social distancing measures and reduced pub opening times, will be removed and whether any further local or national lockdowns will be required.

The Directors have performed an assessment of the going concern assessment period, being the period of 12 months from the date of signing these financial statements, including capital expenditure and cash flow forecasts, 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 ongoing impact of COVID-19. The Group's forecasts assume that sales will gradually recover to pre-COVID-19 levels over the next year, with social distancing measures reducing from April 2021. The Directors have also considered a severe but plausible downside scenario, which incorporates a further lockdown and pub opening restrictions at a national level for a two month period in January and February 2021. The conclusion of this assessment was that the Directors are satisfied that the Group has sufficient liquidity to withstand such a severe but plausible downside scenario. The completion of the disposal of the Group's brewing operations in October 2020 has improved the Group's liquidity significantly, with an initial cash payment of £232.7 million received on 30 October 2020. However, under this severe but plausible downside scenario, further covenant waivers/amendments would be required.

The Group has secured waivers from its bondholders in respect of the free cash flow covenant up to April 2021 and has agreed with its other lenders to replace existing financial covenant tests with a liquidity and profit covenant from 3 October 2020 up to July 2021. There is a material uncertainty as to whether the financial covenants will be met or whether the Group's lenders will agree to further waivers if required. The Group will continue to have regular communication with its lenders throughout this period.

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

2 SEGMENT REPORTING

Revenue by segment	**2020** **£m**	2019 (Restated) £m
Pubs and Bars	**515.5**	784.2
Brewing	**305.5**	389.3
Group Services	**-**	-
Total revenue	**821.0**	1,173.5
Revenue from discontinued operations	**(305.5)**	(389.3)
Revenue from continuing operations	**515.5**	784.2

Underlying operating profit by segment	2020 £m	2019 (Restated) £m
Pubs and Bars	**84.7**	167.5
Brewing	**17.3**	32.6
Group Services	**(28.0)**	(27.3)
Underlying operating profit	**74.0**	172.8
Underlying operating profit from discontinued operations	**(17.3)**	(32.6)
Underlying operating profit from continuing operations	**56.7**	140.2
Non-underlying operating items	**(342.2)**	(59.3)
Operating (loss)/profit	**(285.5)**	80.9
Net finance costs	**(103.2)**	(125.6)
Loss before taxation from continuing operations	**(388.7)**	(44.7)

In the prior period the Group had four distinguishable operating segments being Destination and Premium, Taverns, Brewing and Group Services. Following a reorganisation of the pub operational and commercial structure, the pub business has now merged into one segment and is no longer operated as Destination and Premium and Taverns. Since the start of the current period the results of the merged operations have been presented as one combined 'Pubs and Bars' segment in the reporting to the chief operating decision maker and management decisions are now made on a combined basis. The results for the 52 weeks ended 28 September 2019 have been restated to reflect the merging of these two segments.

3 NON-UNDERLYING ITEMS

	2020 £m	2019 (Restated) £m
Non-underlying operating items		
Impact of change in rate assumptions used for provisions	**-**	2.3
Reorganisation and integration costs	**-**	1.0
Impairment of freehold and leasehold properties	**105.1**	37.6
Write-off of EPOS equipment	**-**	3.9
Write-off of acquisition and development costs	**0.9**	9.9
Past service cost in respect of Guaranteed Minimum Pension equalisation	**-**	4.6
Impairment of goodwill	**200.6**	-
Portfolio disposals	**22.4**	-
Impact of COVID-19	**16.4**	-
VAT claims	**(3.2)**	-
	342.2	59.3
Non-underlying non-operating items		
Net interest on net defined benefit asset/liability	**0.6**	(0.5)
Swap recouponing fees	**-**	0.6
Interest on VAT claims	**(1.0)**	-
COVID-19 financing costs	**2.1**	-
Interest rate swap movements	**6.4**	48.7
	8.1	48.8
Total non-underlying items for continuing operations	**350.3**	108.1

Impairment of freehold and leasehold properties
In light of the COVID-19 outbreak the Group undertook a detailed valuation review of its pub estate in the current period, which resulted in the impairment of a number of these properties.

In the prior period, due to changes in the market and pub performance, the Group undertook a detailed valuation review of its Destination and Premium estate and subsequently impaired a number of these properties.

The revaluation adjustments in respect of the above relate wholly to the Pubs and Bars segment and were recognised in the revaluation reserve or income statement as appropriate.

Write-off of acquisition and development costs
In the prior period the Group 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 intended to acquire and/or develop were written off. Further costs in respect of these sites of £0.9 million were incurred in the current period.

Impairment of goodwill
The Group has fully impaired the goodwill allocated to the Pubs and Bars segment in the current period. The inputs to the value in use calculation were significantly impacted by the COVID-19 outbreak.

Portfolio disposals
As part of its debt reduction strategy, the Group disposed of two portfolios of smaller wet-led leased, tenanted and franchised pubs and associated properties in the current period. The net loss on disposal and associated costs have been classified as a non-underlying item, together with dilapidations costs from a previous portfolio disposal.

Impact of COVID-19
In order to mitigate the spread of COVID-19 the UK government required the closure of all pubs from 21 March 2020 to 3 July 2020 and has introduced various other social distancing measures and restrictions. This has had a significant impact on the Group's business and its customers. Certain associated costs/charges, which primarily comprise bad debt provisions and stock write-offs, have been classified as a non-underlying item.

VAT claims
In the current period the Group has recognised a net credit of £3.2 million in respect of VAT claims, along with the associated interest of £1.0 million. This comprises credits received from HM Revenue & Customs (HMRC) in relation to VAT on gaming machine income, following HMRC's decision not to further appeal the case brought by The Rank Group Plc, net of the reversal of amounts previously recognised in respect of VAT on pension scheme management expenses.

Net interest on net defined benefit asset/liability
The net interest on the net defined benefit asset/liability in respect of the Group's defined benefit pension plan was a charge of £0.6 million (2019: credit of £0.5 million).

COVID-19 financing costs
As a result of the COVID-19 outbreak and the consequential impact on its trading ability, the Group obtained additional financing facilities and certain waivers from its lenders, primarily in respect of covenants. The costs related to this have been classified as a non-underlying item.

Interest rate swap movements
The Group's interest rate swaps are revalued to fair value at each balance sheet date. For interest rate swaps which were designated as part of a hedging relationship a loss of £3.8 million (2019: £20.5 million) has been recognised in the hedging reserve in respect of the effective portion of the fair value movement and £6.7 million (2019: £7.7 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 £1.7 million (2019: £1.8 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 £0.5 million (2019: £1.5 million), has been recognised within non-underlying items. In addition £14.6 million (2019: £3.5 million) of the balance remaining in the hedging reserve in respect of discontinued cash flow hedges has been reclassified to the income statement within non-underlying 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 paid of £11.4 million (2019: £1.3 million received) has been recognised within underlying finance costs to ensure that underlying finance costs reflect the resulting fixed rate paid on the associated debt. The remainder of the fair value movement, a gain of £7.7 million (2019: loss of £46.7 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 recouponing of the interest rate swap that fixes the interest rate payable on the floating rate elements of the Group's A1, A2, A3 and B securitised notes on 27 March 2019, 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 £3.2 million (2019 (restated): £1.4 million). The deferred tax credit relating to the above non-underlying items amounts to £20.6 million (2019 (restated): £14.7 million). In addition, there is a non-underlying deferred tax credit of £1.8 million (2019: £nil) in relation to the change in corporation tax rate.

Prior period non-underlying items
The update of the discount rate assumptions used in the calculation of the Group's property lease provisions resulted in an increase of £2.3 million in the total provision in the prior period.

During the prior period the Group incurred reorganisation and integration costs of £1.0 million.

Due to the rollout of the Group's new EPOS system the assets relating to the old system were written off in the prior period.

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

In the prior period the Group incurred fees of £0.6 million in relation to the above swap recouponing undertaken in the period.

4 TAXATION

Income statement	**2020 £m**	2019 (Restated) £m
Current tax:		
Current period	**(2.9)**	5.5
Adjustments in respect of prior periods	**(0.3)**	(0.7)
Credit in respect of tax on non-underlying items	**(3.2)**	(1.4)
	(6.4)	3.4
Deferred tax:		
Current period	**(4.3)**	6.0
Adjustments in respect of prior periods	**(7.1)**	(2.0)
Credit in respect of tax on non-underlying items	**(20.6)**	(14.7)
Non-underlying credit in relation to the change in tax rate	**(1.8)**	-
	(33.8)	(10.7)
Taxation credit for continuing operations reported in the income statement	**(40.2)**	(7.3)

5 DISCONTINUED OPERATIONS

In June 2020, the Company's shareholders approved a joint venture transaction involving the disposal of the Group's brewing operations. The transaction was subject to the approval of the competition authorities, which was obtained on 9 October 2020. The transaction subsequently completed on 30 October 2020.

The Brewing segment was not previously classified as held for sale or within discontinued operations. As such the income statement for the 52 weeks ended 28 September 2019 has been represented to show discontinued operations separately from continuing operations.

Results of discontinued operations

	2020			2019		
	Underlying £m	**Non-underlying £m**	**Total £m**	Underlying £m	Non-underlying £m	Total £m
Revenue	**305.5**	**-**	**305.5**	389.3	-	389.3
Operating expenses	**(288.2)**	**(24.8)**	**(313.0)**	(356.7)	(7.1)	(363.8)
Operating profit/(loss)	**17.3**	**(24.8)**	**(7.5)**	32.6	(7.1)	25.5
Net finance costs	**(0.9)**	**-**	**(0.9)**	(0.9)	-	(0.9)
Profit/(loss) before taxation	**16.4**	**(24.8)**	**(8.4)**	31.7	(7.1)	24.6
Taxation	**(3.1)**	**0.4**	**(2.7)**	(6.1)	1.2	(4.9)
Profit/(loss) for the period attributable to equity shareholders	**13.3**	**(24.4)**	**(11.1)**	25.6	(5.9)	19.7

Non-underlying operating items in the current period relate to the impact of COVID-19, disposal costs and the impairment of central assets associated with discontinued operations. Non-underlying operating items in the prior period related to reorganisation and integration costs.

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 non-underlying items. The Directors consider that the supplementary figures are a useful indicator of performance.

	2020		2019 (Restated)	
	Earnings £m	**Per share amount p**	Earnings £m	Per share amount p
Basic (loss)/earnings per share:				
Total	**(359.6)**	**(56.8)**	(17.7)	(2.8)
Continuing	**(348.5)**	**(55.1)**	(37.4)	(5.9)
Discontinued	**(11.1)**	**(1.8)**	19.7	3.1
Diluted (loss)/earnings per share:				
Total	**(359.6)**	**(56.8)**	(17.7)	(2.8)
Continuing	**(348.5)**	**(55.1)**	(37.4)	(5.9)
Discontinued	**(11.1)**	**(1.8)**	19.7	3.1
Underlying (loss)/earnings per share figures				
Basic underlying (loss)/earnings per share:				
Total	**(10.5)**	**(1.7)**	80.2	12.7
Continuing	**(23.8)**	**(3.8)**	54.6	8.6
Discontinued	**13.3**	**2.1**	25.6	4.0
Diluted underlying (loss)/earnings per share:				
Total	**(10.5)**	**(1.7)**	80.2	12.7
Continuing	**(23.8)**	**(3.8)**	54.6	8.6
Discontinued	**13.3**	**2.1**	25.6	4.0

	2020 m	2019 (Restated) m
Basic weighted average number of shares	**632.7**	632.6
Dilutive potential ordinary shares	**-**	-
Diluted weighted average number of shares	**632.7**	632.6

In accordance with IAS 33 'Earnings per Share' the potential ordinary shares are not dilutive as their inclusion would reduce the loss per share.

7 NET DEBT

Analysis of net debt	**2020 £m**	Classified as held for sale £m	Cash flow £m	Non-cash movements and deferred issue costs £m	Adjustment for adoption of IFRS 16 £m	2019 £m
Cash and cash equivalents						
Cash at bank and in hand	**40.6**	(0.1)	3.1	-	-	37.6
	40.6	(0.1)	3.1	-	-	37.6
Financial assets						
Other cash deposits	**2.0**	-	-	-	-	2.0
	2.0	-	-	-	-	2.0
Debt due within one year						
Bank borrowings	**0.7**	2.3	21.7	(1.8)	-	(21.5)
Securitised debt	**(34.9)**	-	33.4	(35.4)	-	(32.9)
Lease liabilities	**(15.9)**	1.6	8.3	(11.7)	(13.3)	(0.8)
Other lease related borrowings	**0.4**	-	-	0.1	-	0.3
Other borrowings	**(15.0)**	-	(15.0)	-	-	-
	(64.7)	3.9	48.4	(48.8)	(13.3)	(54.9)
Debt due after one year						
Bank borrowings	**(268.2)**	5.1	39.0	1.0	-	(313.3)
Securitised debt	**(677.2)**	-	-	35.0	-	(712.2)
Lease liabilities	**(288.2)**	12.2	-	2.7	(282.0)	(21.1)
Other lease related borrowings	**(337.2)**	-	-	(0.5)	-	(336.7)
Other borrowings	**(40.0)**	-	(40.0)	-	-	-
Preference shares	**(0.1)**	-	-	-	-	(0.1)
	(1,610.9)	17.3	(1.0)	38.2	(282.0)	(1,383.4)
Net debt	**(1,633.0)**	21.1	50.5	(10.6)	(295.3)	(1,398.7)

Other cash deposits comprises deposits securing letters of credit for reinsurance contracts. Included within cash and cash equivalents is an amount of £6.0 million (2019: £6.6 million) relating to collateral held in the form of cash deposits. These amounts are both considered to be restricted cash. In addition, any other cash held in connection with the securitised business is governed by certain restrictions under the covenants associated with the securitisation.

Reconciliation of net cash flow to movement in net debt	**2020 £m**	2019 £m
Increase/(decrease) in cash and cash equivalents in the period	**3.1**	(3.8)
Decrease in other cash deposits	**-**	(118.0)
Cash outflow from movement in debt	**47.4**	111.3
Change in debt resulting from cash flows	**50.5**	(10.5)
Non-cash movements and deferred issue costs	**(10.6)**	(2.2)
Classified as held for sale	**21.1**	-
Movement in net debt in the period	**61.0**	(12.7)
Net debt at beginning of the period	**(1,398.7)**	(1,386.0)
Adjustment for adoption of IFRS 16	**(295.3)**	-
Net debt at end of the period	**(1,633.0)**	(1,398.7)

	2020 £m	2019 £m
Net debt excluding lease liabilities	**(1,328.9)**	(1,376.8)
Lease liabilities	**(304.1)**	(21.9)
Net debt	**(1,633.0)**	(1,398.7)

8 ORDINARY DIVIDENDS ON EQUITY SHARES

Paid in the period	**2020 £m**	2019 £m
Final dividend for 2019 of 4.8p per share (2018: 4.8p)	**30.4**	30.4
Interim dividend for 2020 of nil per share (2019: 2.7p)	**-**	17.1
	30.4	47.5

A final dividend for 2020 has not been proposed.

9 PRIOR PERIOD ADJUSTMENTS

The Group has identified adjustments to prior periods regarding the amount of deferred tax recognised in respect of land and buildings which were held under finance leases under IAS 17 'Leases' and the split of derivative financial instruments between non-current and current liabilities. These adjustments have been corrected by retrospective restatement in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The impact of this retrospective restatement on the Group balance sheet as at 28 September 2019 and 29 September 2018 has been set out below. There was no impact on the Group income statement, Group statement of comprehensive income, Group cash flow statement or loss per share for the 52 weeks ended 28 September 2019. The adjustments shown below are before those made in respect of the asset class split detailed in note 10.

As at 28 September 2019

Impact on the Group balance sheet	As originally stated £m	Deferred tax adjustment £m	Derivatives adjustment £m	Restated amount £m
Derivative financial instruments – current liabilities	(184.2)	-	164.3	(19.9)
Derivative financial instruments – non-current liabilities	(51.3)	-	(164.3)	(215.6)
Deferred tax liabilities	(63.9)	3.6	-	(60.3)
Other assets and liabilities	1,110.5	-	-	1,110.5
Net assets	811.1	3.6	-	814.7
Retained earnings	36.9	3.6	-	40.5
Other capital and reserves	774.2	-	-	774.2
Total equity	811.1	3.6	-	814.7

As at 29 September 2018

Impact on the Group balance sheet	As originally stated £m	Deferred tax adjustment £m	Derivatives adjustment £m	Restated amount £m
Derivative financial instruments – current liabilities	(28.9)	-	14.3	(14.6)
Derivative financial instruments – non-current liabilities	(148.6)	-	(14.3)	(162.9)
Deferred tax liabilities	(81.3)	3.6	-	(77.7)
Other assets and liabilities	1,216.4	-	-	1,216.4
Net assets	957.6	3.6	-	961.2
Retained earnings	147.6	3.6	-	151.2
Other capital and reserves	810.0	-	-	810.0
Total equity	957.6	3.6	-	961.2

10 ASSET CLASS SPLIT

In order to provide more reliable and relevant information in respect of its property assets the Group has split the land and buildings asset class within property, plant and equipment into an effective freehold class and a leasehold class.

The effective freehold class comprises land and buildings which are either freehold or are in substance freehold assets. This includes leasehold land and buildings with a term exceeding 100 years at acquisition/commencement of the lease or where there is an option to purchase the freehold at the end of the lease term for a nominal amount. The leasehold class comprises all other leasehold land and buildings.

It is considered that the two groupings above comprise assets which have a different nature and use within the Group's operations and as such it is appropriate to classify them as separate asset classes under IAS 16 'Property, Plant and Equipment'. Leasehold assets derive their value solely from generating income over the lease term and their use/development can be restricted, whereas with effective freehold assets there is additional value from the underlying property asset (including alternative uses and development potential), the assets can be used as security and the value of the property asset is generally maintained over time. It is considered that providing information separately for these two different classes will provide more reliable and relevant information.

The Group has adopted the revaluation model for the effective freehold class and the cost model for the leasehold class. The land and buildings asset class has been held under the revaluation model and as such the measurement basis for assets in the leasehold class has changed. This has been treated as a change in accounting policy and has been applied retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and as such the comparatives for the 52 weeks ended 28 September 2019 have been restated.

The impact of this retrospective restatement on the Group income statement, Group statement of comprehensive income, Group cash flow statement, Group balance sheet and loss per share for the 52 weeks ended 28 September 2019, and on the Group balance sheet as at 29 September 2018, has been set out below. The adjustments, where applicable, are after the restatements detailed in note 9.

52 weeks ended 28 September 2019

Impact on the Group income statement	As originally stated £m	Representation of discontinued operations £m	Adjustment £m	Restated amount £m
Revenue	1,173.5	(389.3)	-	784.2
Operating expenses	(1,067.0)	363.8	(0.1)	(703.3)
Operating profit	106.5	(25.5)	(0.1)	80.9
Net finance costs	(126.5)	0.9	-	(125.6)
Loss before taxation	(20.0)	(24.6)	(0.1)	(44.7)
Taxation	2.0	4.9	0.4	7.3
Loss for the period from continuing operations	(18.0)	(19.7)	0.3	(37.4)
Profit from discontinued operations	-	19.7	-	19.7
Loss for the period attributable to equity shareholders	(18.0)	-	0.3	(17.7)

Impact on the Group statement of comprehensive income	As originally stated £m	Adjustment £m	Restated amount £m
Loss for the period	(18.0)	0.3	(17.7)
Items of other comprehensive income that may subsequently be reclassified to profit or loss	(7.8)	-	(7.8)
Remeasurement of retirement benefits	(54.7)	-	(54.7)
Unrealised surplus on revaluation of properties	2.8	-	2.8
Reversal of past revaluation surplus	(27.4)	2.3	(25.1)
Tax on items that will not be reclassified to profit or loss	11.1	(0.5)	10.6
Items of other comprehensive income that will not be reclassified to profit or loss	(68.2)	1.8	(66.4)
Other comprehensive expense for the period	(76.0)	1.8	(74.2)
Total comprehensive expense for the period attributable to equity shareholders	(94.0)	2.1	(91.9)

Impact on the Group cash flow statement	As originally stated £m	Adjustment £m	Restated amount £m
Operating activities			
Underlying operating profit	178.7	(5.9)	172.8
Depreciation and amortisation	43.2	(1.0)	42.2
Underlying EBITDA	221.9	(6.9)	215.0
Non-underlying operating items	(72.2)	5.8	(66.4)
EBITDA	149.7	(1.1)	148.6
Working capital movement	10.3	-	10.3
Non-cash movements	51.0	1.1	52.1
Decrease in provisions and other non-current liabilities	(3.4)	-	(3.4)
Difference between defined benefit pension contributions paid and amounts charged	(3.0)	-	(3.0)
Income tax paid	(9.0)	-	(9.0)
Net cash inflow from operating activities	195.6	-	195.6

Impact on the Group balance sheet	As stated following prior period adjustments £m	Adjustment £m	Restated amount £m
Property, plant and equipment	2,350.4	(44.3)	2,306.1
Deferred tax liabilities	(60.3)	3.8	(56.5)
Other assets and liabilities	(1,475.4)	-	(1,475.4)
Net assets	814.7	(40.5)	774.2
Revaluation reserve	598.9	(25.5)	573.4
Retained earnings	40.5	(15.0)	25.5
Other capital and reserves	175.3	-	175.3
Total equity	814.7	(40.5)	774.2

Impact on loss per share	As originally stated p	Adjustment p	Restated amount p
Basic loss per share	(2.8)	-	(2.8)
Diluted loss per share	(2.8)	-	(2.8)

As at 29 September 2018

Impact on the Group balance sheet	As stated following prior period adjustments £m	Adjustment £m	Restated amount £m
Property, plant and equipment	2,408.1	(46.5)	2,361.6
Deferred tax liabilities	(77.7)	3.9	(73.8)
Other assets and liabilities	(1,369.2)	-	(1,369.2)
Net assets	961.2	(42.6)	918.6
Revaluation reserve	627.2	(27.0)	600.2
Retained earnings	151.2	(15.6)	135.6
Other capital and reserves	182.8	-	182.8
Total equity	961.2	(42.6)	918.6

11 ADOPTION OF IFRS 16 'LEASES'

The Group has adopted IFRS 16 'Leases' in the current period using the modified retrospective approach in paragraph C5(b) of the standard, whereby comparative amounts have not been restated and the cumulative effect of initially applying the standard has been recognised as an adjustment to opening retained earnings at 29 September 2019.

Impact on transition
For leases previously classified as operating leases under IAS 17 'Leases' the lease liability at 29 September 2019 has been recognised at the present value of the remaining lease payments discounted using the Group's incremental borrowing rate at 29 September 2019. The Group has applied the practical expedient in IFRS 16 to apply a single discount rate to a portfolio of leases with reasonably similar characteristics. The Group has taken the option to recognise all of the associated right-of-use assets at their carrying amounts had IFRS 16 always been applied, discounted using the Group's incremental borrowing rate at 29 September 2019, less any impairment required under IAS 36 'Impairment of Assets'.

For leases where the Group is the intermediate lessor the subleases have been reassessed at 29 September 2019 to determine whether the sublease should be classified as a finance lease or an operating lease based on the remaining contractual terms and conditions of the head lease and sublease at that date. Subleases that were classified as operating leases under IAS 17 but are required to be accounted for as finance leases under IFRS 16 have been treated as new finance leases entered into at 29 September 2019 and a finance lease receivable has been recognised instead of a right-of-use asset. The finance lease receivable has been recognised at the present value of the remaining lease payments discounted at the discount rate used for the head lease.

For leases previously classified as finance leases under IAS 17, the carrying amount of the lease liability and right-of-use asset at 29 September 2019 has been taken as the carrying amount of the IAS 17 lease liability and lease asset immediately before that date. These liabilities and assets have subsequently been accounted for by applying the requirements of IFRS 16.

The impact on the balance sheet upon transition to IFRS 16 at 29 September 2019 is as follows:

	29 September 2019 £m
Other intangible assets	(0.7)
Property, plant and equipment	244.6
Finance lease receivables	20.2
Lease liabilities	(295.3)
Property lease provisions	14.6
Trade and other receivables/payables	0.7
	(15.9)
Deferred tax	3.0
Total adjustment to opening retained earnings	(12.9)

The weighted average incremental borrowing rate applied to the lease liabilities recognised in the balance sheet at 29 September 2019 was 5%.

	29 September 2019 £m
Operating lease commitments at 28 September 2019 as previously disclosed	592.9
Discounted using the incremental borrowing rate at 29 September 2019	297.4
Commitments relating to short-term leases and leases of low-value assets	(2.1)
Lease liabilities recognised in the balance sheet at 29 September 2019	295.3

12 EVENTS AFTER THE BALANCE SHEET DATE

On 4 October 2020 the Group transferred its brewing operations into a wholly-owned subsidiary, Marston's Beer Company Limited. On 30 October 2020 the Group sold Marston's Beer Company Limited to Carlsberg Marston's Brewing Company Limited in exchange for an initial cash receipt of £232.7 million and a 40% shareholding in Carlsberg Marston's Brewing Company Limited. The initial profit on disposal, excluding working capital adjustments and deferred contingent consideration, is estimated to be around £280 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 53 weeks ended 3 October 2020, which will be filed with the Registrar of Companies in due course. The independent auditor's 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 28 September 2019 have been delivered to the Registrar of Companies.

(b) The Annual Report and Accounts for the 53 weeks ended 3 October 2020 will be posted to shareholders on 24 December 2020. The Annual Report and Accounts can be downloaded from the Marston's PLC website: www.marstons.co.uk. Alternatively, copies will be obtainable from the Group Secretary, Marston's PLC, Marston's House, Brewery Road, Wolverhampton, WV1 4JT.