

# CHAIRMAN'S STATEMENT

## Results

These results demonstrate the resilience of our business model in a difficult year for the industry. Continued investment in pub standards and in the marketing of our brands has helped our three trading divisions to make progress in this challenging market.

Turnover increased by 2.0% to £666.1 million (2007: £652.8 million) notwithstanding the smoking ban, the deteriorating economic climate and poor summer weather. Underlying operating profit of £161.6 million was 1.0% below last year (2007: £163.2 million) in the face of significant cost pressures.

Profit before taxation and exceptional items of £85.1 million (2007: £98.0 million) included an increase of £11.3 million in interest costs. The purchase of 8.7 million shares in December 2007 at a cost of £29.2 million completed the share buy-back programme initiated in early 2007. Profit before taxation after exceptional items was £76.2 million (2007: £94.7 million).

Underlying basic earnings per share of 25.6 pence was 2.3% below last year (2007: 26.2 pence).

Net debt at the year-end was £1,268.1 million and interest cover was 2.1 times (2007: 2.5 times). The net cash inflow from operating activities increased to £172.4 million (2007: £156.0 million).

Maintaining value-for-money for our consumers and the continuing promotion of a sustainable and fair basis for dealing with our tenants and lessees, contributed to our performance.

Over the last five years we have built over 50 new pubs and bars, mainly on greenfield sites; integrated successfully several acquisitions, including Eldridge Pope and Ringwood Brewery in 2007 and Wychwood Brewery (part of the acquisition of Refresh) in 2008; and sold over 400 pubs with limited growth prospects. We have extended our trading geography throughout England and Wales and have improved significantly the quality of our pub estate.

## Dividend

The Board proposes an unchanged final dividend of 8.47 pence per share, bringing the total for the year to 13.27 pence per share, an increase of 3.4% compared to the full year dividend of 12.83 pence per share in 2007. The dividend has therefore increased by 24.1% over the last two years and by an average of over 12% per annum over the last 30 years.

Our policy is to maintain a dividend cover ratio of around two times over the medium term although the level of cover in any one year may vary.

The final dividend, if approved, will be paid on 30 January 2009 to those shareholders on the register at the close of business on 19 December 2008.



## Strategy

The Group's strategic objectives are described in the Business Review. At the heart of our strategy is strong consumer appeal, leading to sound cash generation; investment of capital with good, sustainable returns; and tight management of costs.

Our financing strategy is to match our substantially freehold pub estate with long term debt at fixed rates of interest. To that end we completed a £330 million securitisation in November 2007. We have no financing requirements until August 2010 when our £400 million bank facility is due for renewal.

Cash generation remains a management priority. We expect net debt to reduce in the current financial year as a consequence of reducing capital expenditure by around £60 million and continued disposal of smaller pubs.



### The Board

During the year we welcomed Neil Goulden as a Non-executive Director. Neil is shortly to become Chairman of The Gala Coral Group, of which he is currently Chief Executive. He was formerly Chief Executive of Allied Leisure plc (1995 – 2000), prior to which he held senior positions at Compass Group PLC and Ladbrokes PLC.

Peter Lipscomb retired from the Board in January 2008 and we thank him for his significant contribution to the development of the Group since he joined in 2000.

### Outlook

Trading conditions remain difficult but we derive significant trading advantages from having a high quality pub estate, a flexible integrated business model and popular premium ale brands.

In a deteriorating economic environment we have taken steps to reduce our cost base and debt, but we expect a difficult year ahead. The increasing burden of government legislation and significant increases in alcohol taxation are unwelcome and pose significant challenges for our tenants, lessees and free trade customers.

In these market conditions, offering value for money in our pubs and to all of our customers is central to our trading strategy. This focus on value together with tight control of costs and the prudent management of debt is an appropriate response to the weak economy. We are concentrating on increasing our return on capital from existing assets and on sustaining consumer relationships.

We have a strong management team, many of whom have experienced testing market conditions before. I thank all of our employees for their hard work over the last year in difficult circumstances. We are confident that our strategy, market position and the efforts of our staff will increase shareholder value over the longer term.

### David Thompson

Chairman  
5 December 2008

### Pictured:

- 1 The Red Lion Hotel, Wendover.
- 2 Another great value meal at a Marston's pub.
- 3 Enjoying a pint of Marston's Pedigree, in the garden at The Red Lion Hotel, Wendover.