Marston’s PLC

Interim Report
07-08

The Fountain
Clent

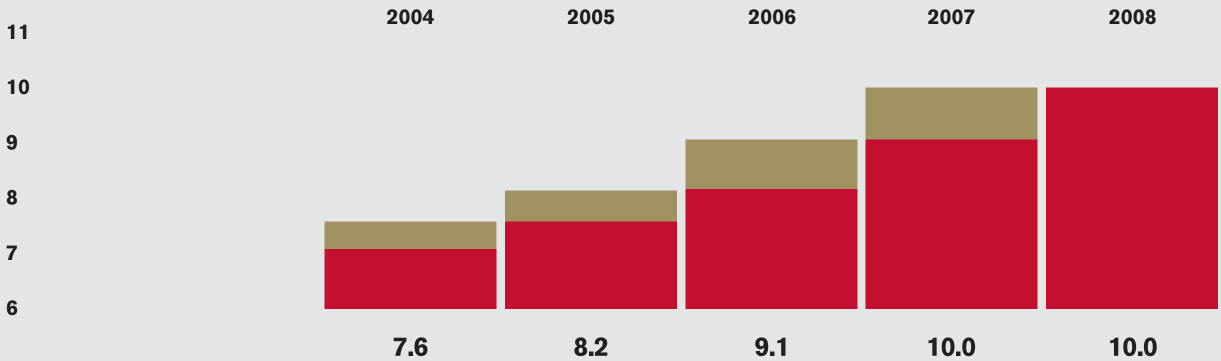
Marston's PLC
At the heart of the community.

Inside
Marston's PLC Interim Report 07-08.

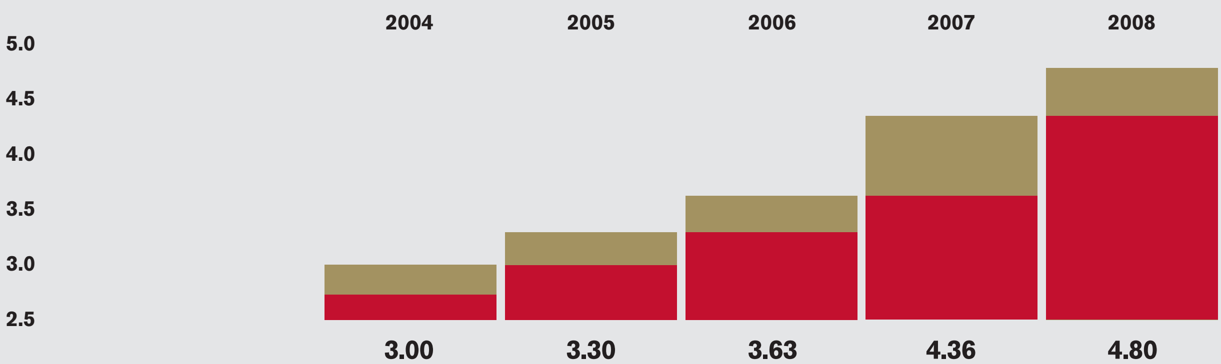

MARSTON'S
Pedigree

Five-year trend.
Earnings and dividend per share and operating profit.

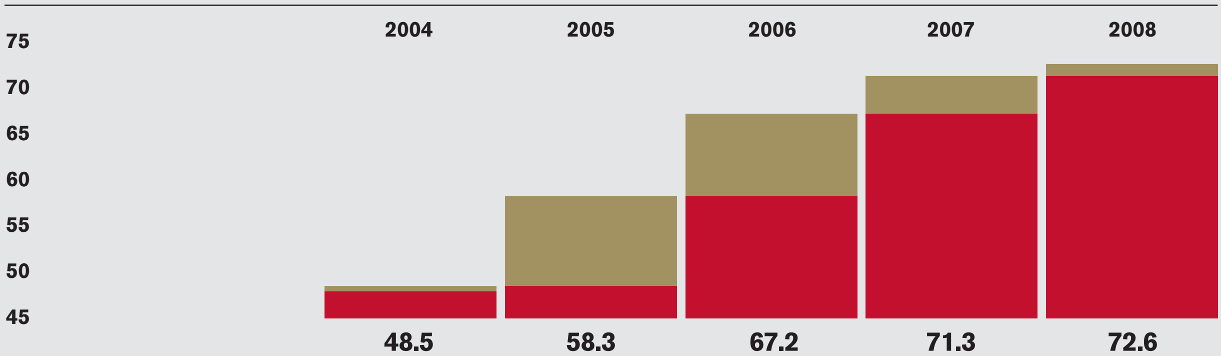
Underlying earnings per share (p)*



Interim dividend per share (p)*



Underlying operating profit (£m)*



*Earnings and dividends per share have been restated to reflect the 4-for-1 share split in January 2007. 2004 is reported under UK GAAP ruling at that time. Subsequent years have been reported under IFRS.

Continued investment.

David Thompson
Chairman's Statement

Taverner's
Yate

Financial highlights

Underlying earnings per share

→ **10.0**p

Underlying* earnings per share unchanged at 10.0p (2007: 10.0p) - basic earnings per share of 8.9p (2007: 9.3p)

* The underlying results reflect the performance of the Group before exceptional items. The Directors consider that these figures provide a useful indication of the underlying performance of the Group.

These first half-year results were achieved in a challenging trading environment which has included the impact of the smoking bans in England and Wales, higher costs and weakening consumer confidence. As anticipated, food sales grew strongly and now account for 35% of revenue in our managed pubs, although higher margin wet sales and gaming machine income declined. The impact on overall operating margin as a consequence of this change in sales mix was well contained by good cost management.

We have continued to invest in and develop our pubs, opening 8 new managed houses in the first half-year. This important part of our strategy to develop a national high quality pub estate resulted in £17.3 million being invested in acquisitions and new site development in the first half-year. As a consequence of investment, and disposals of smaller less profitable pubs, the average quality of our estate has continued to improve.

In brewing, our focus on national distribution of a first-class range of premium cask ale brands is reflected in our recent acquisition of Refresh, including the Wychwood brewery in Oxfordshire. We are now the UK's largest brewer of premium cask ale.

Our integrated business model and strong cash generation provide us with operating flexibility and more opportunity for profitable investment.

Results

Turnover increased by 3.6% to £316.4 million (2007: £305.3 million), reflecting the acquisitions of Sovereign Inns, Eldridge Pope and Ringwood Brewery in 2007.

Underlying operating margin was slightly lower at 22.9% (2007: 23.4%), reflecting both the increasing popularity of food offers across our pub estate compared to higher margin wet sales and machine income, and higher energy, food and brewing raw material costs.

Underlying profit before taxation was £35.0 million (2007: £41.6 million), reflecting the higher interest costs associated with the £150 million share buy-back programme in 2007. Profit before tax and after exceptional items was £31.0 million (2007: £38.4 million).

Underlying earnings per share of 10.0 pence per share (2007: 10.0 pence per share) was unchanged compared to last year, benefiting from a reduced number of shares in issue following the successful completion of the £150

Taverner's
Yate

Investment

We have continued to invest in and develop our pubs, opening 8 new managed houses in the first half-year.

Hopwood House
Alvechurch

The Old Irish Harp
Aldridge

Marston's Beer Company

Market share growth and premium ale volume ahead of last year.

million share buy-back programme in 2007 and a lower tax charge. Basic earnings per share after exceptional items was 8.9 pence per share (2007: 9.3 pence per share).

Cash flow from operating activities fell by 3.7% to £66.8 million, reflecting additional pension contributions of £15.4 million to the Marston's PLC Pension and Life Assurance Scheme, as described in the Financial review.

Dividend
The Board declares an interim dividend of 4.80 pence per share (2007: 4.36 pence per share), which will be paid on 27 June 2008 to those shareholders on the register at the close of business on 6 June 2008. This increase of 10.1% takes the total interim dividend to be paid to £13.0 million and reflects our long-standing progressive dividend policy.

Financing
We announced the completion of a £330 million tap of the securitisation on 22 November 2007, with the funds generated being used to repay existing bank debt. Our strong credit profile and the high quality of our pub estate enabled a very competitive cost of financing to be achieved, whilst improving the financial and operational flexibility of the Group.

As previously reported, we have examined carefully the potential for realising greater shareholder value through taking advantage of the Real Estate Investment Trust ('REITs') legislation introduced by the Government last year. We do not plan currently to change the existing structure of the Group as we do not believe that the potential benefits outweigh the implementation costs or increased risk, but we will nevertheless continue to keep the situation under review.

We have been consistent in our strategic preference for freehold ownership of pubs, an approach which has allowed us operational flexibility and provided significant benefits to shareholders over a long period of time, including the benefit of capital appreciation. As a consequence of this strategy, 98% of our pub estate by value is freehold and long leasehold.

Prospects
We remain cautious about the outlook for 2008. The recent increase in beer duty by the Government has added further costs to pubs in already challenging trading conditions, and has contributed to the widening price gap between pubs and supermarkets. As a pub operator and brewer we promote the responsible, supervised retailing of alcohol and are disappointed that the effect of the Government's tax increase is likely to undermine this objective.

With our high quality pub estate and our continuing investment in new-build pubs, we are well positioned to exploit favourable long-term trends, including market growth in casual dining. Our objective to provide excellent value for money with high quality food, drink and service is well suited to the current economic climate as demonstrated by continuing strong growth in food sales in our managed pubs.

The Board remains confident that our strong balance sheet, relatively conservative financing and strong cash flow will allow us to continue to target further investments meeting our return on capital criteria.

David Thompson
Chairman

Interim dividend

↗ **10.1%**

Interim dividend up 10.1% to 4.80p (2007: 4.36p)

The Bell
Anslow

The Old Irish Harp
Aldridge

Profit before tax and exceptional items

£35.0m

Profit before tax and exceptional items reduced by 15.9% to £35.0 million (2007: £41.6 million) reflecting £150 million share buy-back in 2007.

Banks's Brewery
Wolverhampton

The year so far.
Ralph Findlay
Chief Executive's Review

Financial highlights

Marston's Inns & Taverns

+7.8%

Marston's Inns & Taverns like-for-like sales** up by 0.3% - continued strong like-for-like food sales +7.8%

Marston's Pub Company

↗ **10.1%**

Marston's Pub Company average EBITDA per pub up 10.1%; like-for-like profit per pub down 0.6%

** In 2007 Easter fell in the second half-year. Like-for-like sales are reported for the 24 week period ending 15 March 2008 in order to be comparable to last year.

Bluu
Birmingham

Business development
Our first half-year performance included turnover growth of 3.6%, underlying profit before interest and taxation 1.8% ahead of last year despite significant cost increases, and underlying earnings per share unchanged at 10.0 pence per share. Investment through organic development and acquisitions continues to generate good returns, reinforcing the strong operating cash flow of the business.

Although trading conditions have been difficult for the industry, business initiatives consistent with the financial and operational elements of our strategy have contributed to our resilient performance. Our integrated business model provides us with operational flexibility and a wider range of investment opportunities, and has enabled us to offset significant increases in the cost of food, labour and brewing raw materials.

Our model enables us to achieve purchasing economies of scale, an example being the negotiation of new lager contracts which became operational this financial year. Our buying terms for most products reflect the fact that we supply over 2,000 free trade customers in addition to our 553 managed pubs and 1,721 tenanted and leased pubs.

Operational flexibility also allows us to decide whether a pub can be operated more effectively under management or by a tenant or lessee. As operating costs for managed pubs have steadily increased in recent years, the turnover threshold at which pubs are considered as potential tenancies has also risen. In recent years, several hundred smaller managed pubs have been converted to tenancy or lease, and at the beginning of April 2008 a further 47 pubs were transferred from managed to tenancy or lease.

A key element of our strategy is the continued development of a national, high quality pub estate through the acquisition of sites and the construction of new-build pubs by Marston's Inns and Taverns. This strategy generates high returns - EBITDA returns on around 50 new pubs developed since 2002 on average exceed 15% - reflecting the fact that investments are carefully targeted. The 8 new openings in the first half-year were in Ipswich, Ludlow, Norwich, Warwick, Brynmawr, Birmingham, Mansfield and Rotherham. These pubs are generally freehold or long leasehold, and are operated as food formats such as Marston's Tavern Table or Marston's Two for One. We expect to open around 12 new sites in the second half-year.

Sales of food and drink to customers for whom dining is the primary reason for visiting the pub, are estimated to be 65% of total sales. This increasing emphasis on food within our managed estate is also matched in our tenanted and leased estate. This change increases

Marston's Inns and Taverns

Turnover increased by 11.2% to £183.8 million (2007: £165.3 million)

our need to recruit skilled tenants and lessees who are better able to compete in this developing market. The range of products and support we offer to tenants and lessees are important in differentiating Marston's Pub Company to prospective retailers. We have, therefore, improved the range of agreements available, including the introduction of a 'turnover rent' model for high turnover food-led pubs, and we have widened the choice of beers, wines and spirits available. We have increased investment in training and support such that, in the first six months of this year, a record 1,380 retailers from nearly 1,100 pubs attended training days.

Our brewing strategy is to focus on premium brands with local provenance and heritage and to extend our trading geography through free trade distribution. We have built successfully on the acquisitions of Eldridge Pope and Ringwood Brewery last year by developing free trade distribution in the south of England, and the recent acquisition of Refresh increases the range of premium brands now available to all of our pub customers.

With an ale portfolio including Marston's Pedigree, Jennings Cumberland Ale, the Ringwood brands, the Banks's and Mansfield beers, Hobgoblin and Brakspear, Marston's now brews over 20% of premium cask ale in the UK and accounts for nearly 20% of all bottled ale sold in supermarkets.

Marston's Inns and Taverns
As at 29 March 2008, the managed pub estate comprised 553 pubs (2007: 568 pubs). Since 1 October 2007, 8 new pubs have been opened and 5 sites have been sold. These changes are a consequence of our continuing objective to develop and improve the average quality of the estate.

Turnover increased by 11.2% to £183.8 million (2007: £165.3 million), reflecting the acquisition of Eldridge Pope in 2007. Underlying operating margin was 15.4% (2007: 16.0%) and underlying operating profit was £28.3 million (2007: £26.5 million).

Like-for-like sales increased by 0.3% against strong comparatives (2007: 7.0% increase). Like-for-like food sales increased by 7.8%, also against strong comparatives (2007: 13.3% increase), with food sales now comprising 35% of total sales in the division. Approximately 65% of turnover in the division is estimated to be generated from customers who visit the pub primarily to eat.

The continued development of operating formats has contributed to this resilient performance. Marston's Tavern Table and Marston's Two for One are our principal community food-led operating formats, offering excellent value for money in well invested, modern pubs. On the high street, Pitcher & Piano, Que Pasa and Bluu are also increasing food sales.

Like-for-like drinks sales were 3.1% below last year and like-for-like machine income sales were 10.3% below last year. These declines were expected following the introduction of the smoking bans in England and Wales in 2007, and have been offset by higher food sales. The change in sales mix away from higher margin drinks sales and machine income to lower margin food sales contributed to an overall net reduction in margin. Drinks gross margins were ahead of last year following the introduction of a more extensive lager range, with food gross margins slightly lower due to rising input costs.

Margins are expected to remain under pressure due to rising costs. We estimate that food cost inflation over the next year will be around 8%, increasing costs by approximately £1.5 million in the second half-year and by up to £3 million in the next financial year. Our existing electricity contract expires in June 2008 and we anticipate an annual increase of around £3 million, representing a 35% increase, when this contract is renewed.

Room income now represents 2% of total sales with good like-for-like sales growth and rising occupancy. Following the acquisition of Eldridge Pope in 2007, we have around 800 bedrooms across the managed pub estate; we aim to develop this business further, following the introduction of on-line booking last year and a room refurbishment programme that will see overall standards rise significantly. We have recently completed room investments in pubs in London and Wendover and in the first half-year we acquired three new sites for future lodge development.

Investment in branded high street bars has also achieved good returns, including Pitcher & Piano developments in Derby, Mayfair, Didsbury and Winchester, and Que Pasa developments in Watford and Hitchin.

Marston's Pub Company
As at 29 March 2008, the tenanted and leased pub estate comprised 1,721 pubs (2007: 1,967 pubs).

Total turnover was £92.7 million (2007: £99.8 million), reflecting the disposal of 279 pubs to aAim Group in the second half of last year. Underlying operating margin increased by 2.5% to 46.7% (2007: 44.2%) and underlying operating profit was £43.3 million (2007: £44.1 million). Average profit (EBITDA) per pub increased by 10.1% in the first half of the year with like-for-like profit per pub being 0.6% below last year.

The impact of the smoking bans, as expected, has been to accelerate established trends. On-trade beer market volumes have declined by approximately 9% in recent months, with similar declines in gaming machine income. These declines compare with

Bluu
Birmingham

Underlying operating margin

↘ **22.9%**

Underlying* operating margin 22.9% (2007: 23.4%) – good control of costs

* The underlying results reflect the performance of the Group before exceptional items. The Directors consider that these figures provide a useful indication of the underlying performance of the Group.

Marston's Pub Company

Approximately one third of the pubs are 'food-led' – with dining the main attraction of the offer – whilst around 80% in total have a meaningful food offer.

longer term trends of 2-3% annual declines, so it is clear that the smoking bans and weaker consumer confidence have had an impact on the market.

These pressures, together with increasing costs, have a greater effect on poorly located pubs with a limited offering. These pubs are also most affected by the low price of alcohol in supermarkets. For these reasons, we have churned the estate significantly in recent years, and improved average pub quality by selling pubs at the weaker end of the market and transferring pubs from management to tenancy. At the beginning of April 2008, a further 47 pubs were transferred from Marston's Inns & Taverns to Marston's Pub Company.

Over the last two years, we have invested significantly in the estate, including the completion of a £10 million programme ahead of the introduction of the smoking bans in 2007. In this first half-year we have invested £23.7 million in Marston's Pub Company, including the acquisition of three new pubs and 75 major refurbishments.

Our investment plans are intended to maximise the potential of each pub to ensure that, where appropriate, retailers can develop food sales and room income. In Marston's Pub Company, approximately one third of the pubs are 'food-led' – with dining the main attraction of the offer – whilst around 80% in total have a meaningful food offer. The fact that nearly 1,300 rooms are available across over 200 pubs offers considerable potential that we aim to exploit through greater focus on promoting their availability and improving standards.

Pubs without food or accommodation can also prosper provided that they are well located, with good retailers and a first class offer. Pubs that do not have

Pitcher & Piano
Southampton

The Boars Head
Templeton

these attractions struggle to compete against lower supermarket prices, which are contributing to industry-wide pub closures estimated to be running at around 30 pubs per week.

Through consistent churn, investment, the introduction of a wider range of agreements and products, more support, and greater focus on food and accommodation, we increased average rent per pub in the first half-year by approximately 15% to around £26,000 per pub on an annualised basis. We will continue to sell pubs where appropriate, and in setting rents we aim to strike a balance between long-term sustainability and shorter term market trends, which we believe will create a more resilient business over the long-term.

Marston's Beer Company
Turnover was £39.9 million compared to £40.2 million last year reflecting the planned withdrawal from a number of low margin wholesalers as described in 2007.

Underlying operating margin was 17.5% compared to 18.4% last year and underlying operating profit was £7.0 million (2007: £7.4 million). This lower profit reflects significant increases in the price of malted barley and higher energy costs, which together are expected to account for cost increases of over £1 million this year and £2 million in the next financial year.

As described above, the beer market has been impacted by the introduction of smoking bans in England and Wales. These factors, together with investment in pubs to promote food sales and greater pressure on wet-led pubs, have accelerated long-term trends.

Despite this background, volumes of our own brands were 2.5% down in the first half year, and 0.5% ahead on an annualised basis. This increase included premium ale growth of 7.2%, with Marston's Pedigree, Jennings Cumberland Ale and Ringwood all ahead. Although the first half of this year has been difficult, good differentiated brands with local provenance are significantly outperforming the market.

Beer volumes supplied to other pub companies were lower, broadly in line with market trends. Our performance in the free trade was significantly better than the market as a consequence of the wider range of beers in our portfolio, and through building on our distribution in the south of England following the acquisitions of Eldridge Pope and Ringwood in 2007.

The development of our premium ale range takes our market share in premium cask ale to over 20% (excluding draught Bass, which we brew under contract). Following the acquisition of Refresh in April 2008, we have increased our market share of the take-home ale market from 4.0% to 7.6%, and our share of the bottled ale market from 7.2% to 18.4%.

The increased investment in marketing last year following our sponsorship of the ECB last summer has been maintained. As 'Official Beer of Twenty20', Marston's Smooth will receive significant in-ground coverage, boosted by a new sponsorship of all Talk Sports Summer of Cricket coverage (for both International and Domestic T20 matches). We aim to build on our success in forming commercial partnerships with a number of key clubs and grounds, including Lords, The Oval, The Rosebowl and Edgbaston. In March 2008, the Marston's 'Official Beer of England' campaign won the coveted Hollis Sports Sponsorship Award.

Current trading
Trading since 29 March has been broadly in line with our expectations and consistent with the fact that the comparative period last year benefited from exceptionally good weather, particularly over Easter and the May Bank Holiday.

We remain cautious about the outlook for 2008, as consumer confidence remains weak and cost inflation is at higher levels than we have seen for some years.

Nevertheless we expect our relative performance against last year to improve over the summer months as the anniversary of the smoking ban in England on 1 July last year passes, and as a consequence of the impact of flooding last year. We anticipate a slightly greater profit weighting to the second-half compared to last year as a result of these factors.

Our high quality pub estate continues to benefit from its broad UK geographical spread, its successful casual dining formats and Marston's vertically integrated business model.

Ralph Findlay
Chief Executive

Resilient performance.
Paul Inglett
Financial Review

	Revenue		Underlying operating profit (see note 2)		Margin	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 %	2007 %
Marston's Inns and Taverns	**183.8**	165.3	**28.3**	26.5	**15.4**	16.0
Marston's Pub Company	**92.7**	99.8	**43.3**	44.1	**46.7**	44.2
Marston's Beer Company	**39.9**	40.2	**7.0**	7.4	**17.5**	18.4
Marston's Group Services	**–**	–	**(6.0)**	(6.7)	**(1.9)**	(2.2)
Group	**316.4**	305.3	**72.6**	71.3	**22.9**	23.4

Overview
These interim results reflect a resilient performance in challenging trading conditions.

Revenue has increased by 3.6% to £316.4 million and underlying operating profit has risen by 1.8% to £72.6 million, reflecting the benefit of the acquisitions of Sovereign Inns, Eldridge Pope and Ringwood Brewery in 2007, offset by the impact of the disposal of 279 smaller tenanted pubs in May 2007.

Interest costs have increased compared to the prior year, following the £150 million share buy-back programme in 2007 and additional borrowings required to fund the acquisitions.

Underlying earnings per share is in line with last year at 10.0 pence per share.

Financial highlights

Operating profit

↗ **£72.6m**

Operating profit up 5.4% to £72.6 million

Operating profit (after exceptional items) was £72.6 million, up 5.4% on the prior period, and basic earnings per share (after exceptional items) was 8.9 pence per share, down 4.3% on the prior period.

Margin
The underlying operating margin of the Group reduced by 0.5% to 22.9% reflecting both higher raw material and energy costs and an acceleration in the changing sales mix of the managed division as a result of the introduction of the smoking bans.

Dividend
The interim dividend is increased to 4.80 pence per share, an uplift of 10.1% on the previous year. This increase reflects the progressive dividend policy of the Group that has increased dividends by an average of over 12% per annum for more than 30 years.

Acquisition of Refresh
Ryland Thompson Limited, trading as Refresh, was acquired on 3 April 2008. Funding for the acquisition is from existing bank facilities. In the year ended 31 May 2007, the business had a turnover of £24.9 million and generated EBIT (earnings before interest and tax) of £1.1 million. Refresh is expected to be earnings enhancing in the first full year of operation. The integration of the business will be completed by the end of June 2008.

Cash flow
The business continues to be highly cash generative with EBITDA (earnings before interest, tax, depreciation and amortisation) of £94.6 million and net cash inflow from operations of £66.8 million in the period.

Debt financing
On 22 November 2007, the Group completed a £330 million tap of its securitisation backed by the transfer of 437 freehold and long leasehold tenanted pubs from the non-securitised estate to the securitised estate. The Group's strong credit profile and high quality pub estate facilitated the tap issue, despite volatile credit markets.

The net funds raised were used to repay bank borrowings. At the half year, the available headroom in the Group's £400 million of bank facilities was around £180 million, providing significant financial and operational flexibility.

Net debt at 29 March 2008 was £1,269.7 million, compared to £1,189.1 million at 29 September 2007. On a 12-month pro-forma basis to 29 March 2008 the ratio of net debt to EBITDA was 6.1 times. Interest cover was 2.3 times for the 12 months to 29 March 2008.

During the period, the Group entered into £330 million of fixed interest rate swaps to match the tap issue and £140

The Bell
Anslow

Financial highlights

EBITDA

↗ **£94.6m**

EBITDA up 5.6% to £94.6 million

million of interest rate swaps in respect of bank borrowings. At the half year, 93% of gross debt is effectively at fixed rates of interest, with a blended cost of debt of approximately 6.1%.

Exceptional items

An exceptional finance cost of £4.0 million reflects a charge for the movement in fair value of certain interest rate swaps. This is partially offset by a £1.1 million related deferred tax credit. Although all the Group's interest rate swaps are held to match existing floating rate borrowings of the Group, certain swaps do not meet the strict accounting definition to qualify for hedge accounting. This results in fair value movements on those swaps being taken to the income statement as an exceptional item. The charge has no cash impact.

Taxation

The underlying rate of taxation (before exceptional items) has reduced from 27.2% in 2007 to 22.0% in 2008 and is expected to be around this level for the full year. The underlying rate of taxation has benefited from the additional indexation allowance available on properties and a fall in the standard rate of UK corporation tax.

Share buy-backs

During the interim period the Group purchased 8.7 million Marston's shares for £29.2 million. This completed the commitment to return £150 million cash to shareholders in the 2007 calendar year. As a result, there was a 9.6% reduction in the average number of shares in issue compared to the prior period.

Pension

Additional pension contributions of £15.4 million were made to the Marston's PLC Pension and Life Assurance Scheme during the period. This included a one-off contribution of £11.3 million in October 2007, which was agreed in the previous month on the merger of the Eldridge Pope and Marston's final salary pension schemes in order to equalise funding levels pre-merger. The balance reflects top-up contributions to eliminate the Scheme's funding deficit by 2014. There has been no material actuarial movement in the pension deficit since last year end.

Principal risks and uncertainties

The principal risks and uncertainties for the Group have not materially changed from those set out in the Business Review of the 2007 Annual Report. These are summarised as:

- Risk of misunderstanding consumer behaviour in a highly competitive market
- Economic risk
- Risks due to seasonal factors and adverse weather
- Acquisition risks
- Risk to brand reputation
- Risk from the bans on smoking in public places
- Risk from increased regulation
- Information technology risks

P. Inglett

Paul Inglett
Finance Director

Wychwood Brewery
Witney

Responsibility Statement
of the Directors in respect of the Interim Report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the EU.
- The interim management report includes a fair review of the information required by:

  DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during the period; and any changes in the related party transactions described in the last Annual Report that could do so.

By order of the Board:

Ralph Findlay
Chief Executive
23 May 2008

Paul Inglett
Finance Director

Independent Review Report
to Marston's PLC

Introduction
We been engaged by the Company to review the financial information for the 26 weeks ended 29 March 2008 which comprises the Group income statement, Group statement of recognised income and expense, Group cash flow statement, Group balance sheet and related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The Interim Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim financial information in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this interim financial information has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the EU.

Our responsibility
Our responsibility is to express to the Company a conclusion on the interim financial information based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the 26 weeks ended 29 March 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the EU and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
Birmingham
23 May 2008

The maintenance and integrity of the Marston's PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Interim Report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Group income statement
(Unaudited)

For the 26 weeks ended 29 March 2008

		26 weeks to 29 March 2008			26 weeks to 31 March 2007			52 weeks to 29 September 2007
	Note	**Before exceptional items £m**	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m	Total £m
Revenue	2	**316.4**	**–**	**316.4**	305.3	–	305.3	652.8
Operating expenses	3	**(243.8)**	**–**	**(243.8)**	(234.0)	(2.4)	(236.4)	(492.1)
Operating profit		**72.6**	**–**	**72.6**	71.3	(2.4)	68.9	160.7
Finance costs	3, 4	**(38.8)**	**–**	**(38.8)**	(30.5)	(0.8)	(31.3)	(68.8)
Finance income	4	**1.2**	**–**	**1.2**	0.8	–	0.8	2.8
Movement in fair value of interest rate swaps	3, 4	**–**	**(4.0)**	**(4.0)**	–	–	–	–
Net finance costs	4	**(37.6)**	**(4.0)**	**(41.6)**	(29.7)	(0.8)	(30.5)	(66.0)
Profit before taxation		**35.0**	**(4.0)**	**31.0**	41.6	(3.2)	38.4	94.7
Taxation	5	**(7.7)**	**1.1**	**(6.6)**	(11.3)	0.9	(10.4)	(12.4)
Profit for the period attributable to equity shareholders		**27.3**	**(2.9)**	**24.4**	30.3	(2.3)	28.0	82.3

All results relate to continuing operations.

Earnings per share:								
Basic earnings per share	6			**8.9p**			9.3p	27.9p
Basic earnings per share before exceptional items	6			**10.0p**			10.0p	26.2p
Diluted earnings per share	6			**8.8p**			9.1p	27.6p
Diluted earnings per share before exceptional items	6			**9.9p**			9.9p	26.0p

Group statement of recognised income and expense
(Unaudited)

For the 26 weeks ended 29 March 2008

	26 weeks to 29 March 2008 £m	26 weeks to 31 March 2007 £m	52 weeks to 29 September 2007 £m
Profit for the period	**24.4**	28.0	82.3
(Expense)/income recognised directly in equity:			
Cash flow hedges	**(21.9)**	10.7	15.6
Actuarial gains on retirement benefits	**–**	–	27.4
Unrealised (deficit)/surplus on revaluation of properties	**(0.3)**	(2.6)	164.9
Tax on items taken directly to equity	**9.1**	(0.9)	(42.4)
Net (losses)/gains not recognised in the income statement	**(13.1)**	7.2	165.5
Total recognised income for the period	**11.3**	35.2	247.8

Group cash flow statement
(Unaudited)

For the 26 weeks ended 29 March 2008

	Note	**26 weeks to 29 March 2008 £m**	26 weeks to 31 March 2007 £m	52 weeks to 29 September 2007 £m
Operating activities				
Operating profit		**72.6**	68.9	160.7
Depreciation and amortisation		**22.0**	20.7	42.7
EBITDA*		**94.6**	89.6	203.4
Working capital and non-cash movements (including outflows upon integration of acquisitions)		**(4.8)**	(20.7)	(30.1)
Difference between defined benefit pension contributions paid and amounts charged		**(15.7)**	1.1	(7.7)
Income tax paid		**(7.3)**	(0.6)	(9.6)
Net cash inflow from operating activities		**66.8**	69.4	156.0
Investing activities				
Interest received		**1.1**	1.1	1.9
Sale of property, plant and equipment and assets held for sale		**4.2**	12.8	102.0
Investment in plant and equipment for existing business		**(46.0)**	(48.1)	(100.3)
Purchase of new pubs/site developments		**(17.3)**	(20.9)	(46.0)
Movement in non-current assets		**(0.4)**	(1.3)	(1.7)
Acquisition of subsidiaries, net of cash acquired		**(1.4)**	(95.8)	(113.9)
Repayment of debt of subsidiaries upon acquisition		**–**	(57.9)	(57.9)
Movement in available-for-sale investments		**–**	31.8	31.8
Net cash outflow from investing activities		**(59.8)**	(178.3)	(184.1)
Financing activities				
Equity dividends paid		**(22.8)**	(21.5)	(34.1)
Proceeds of ordinary share capital issued		**0.1**	0.3	1.1
Purchase of treasury shares		**–**	(40.2)	(115.5)
Purchase of own shares for Long Term Incentive Plan		**–**	–	(0.6)
Purchase of own shares for cancellation		**(29.2)**	–	(5.3)
Interest paid		**(34.5)**	(26.4)	(57.7)
Arrangement costs of new bank facilities and issue costs paid on securitised debt		**(7.9)**	(1.1)	(1.1)
Proceeds from issue of securitised debt		**330.0**	–	–
Repayment of securitised debt		**(7.2)**	(5.7)	(11.4)
Advance of loans		**–**	381.2	443.6
Repayment of bank loans		**(230.6)**	(165.0)	(155.0)
Settlement of debentures		**–**	–	(18.9)
Repayment of loan notes and loan stock		**(0.7)**	(0.7)	(2.2)
Capital element of finance leases repaid		**(0.1)**	(0.1)	(0.1)
Movement in other financial assets		**–**	(2.1)	–
Net cash (outflow)/inflow from financing activities		**(2.9)**	118.7	42.8
Net increase in cash and cash equivalents	9	**4.1**	9.8	14.7
Reconciliation of net cash flow to movement in net debt				
Increase in cash and cash equivalents in the period	9	**4.1**	9.8	14.7
Decrease in available-for-sale investments		**–**	(31.8)	(31.8)
Increase in other financial assets		**–**	2.1	–
Cash inflow from increase in debt		**(91.4)**	(209.7)	(256.0)
Change in debt resulting from cash flows	9	**(87.3)**	(229.6)	(273.1)
Net debt acquired with subsidiaries		**–**	(22.0)	(22.1)
Non-cash movements	9	**6.7**	(0.4)	(0.2)
Movement in net debt in the period		**(80.6)**	(252.0)	(295.4)
Net debt at beginning of the period	9	**(1,189.1)**	(893.7)	(893.7)
Net debt at end of the period	9	**(1,269.7)**	(1,145.7)	(1,189.1)

* EBITDA - Earnings before interest, tax, depreciation and amortisation

Group balance sheet
(Unaudited)

As at 29 March 2008

	Note	**29 March 2008 £m**	31 March 2007 £m	29 September 2007 £m
Assets				
Non-current assets				
Other intangible assets		**9.4**	6.8	9.7
Goodwill		**219.1**	212.3	217.8
Property, plant and equipment	7	**1,961.7**	1,711.2	1,934.3
Deferred tax assets		**44.2**	51.1	40.4
Financial assets: other receivables		**–**	2.1	–
Other non-current assets		**25.2**	24.4	24.8
		2,259.6	2,007.9	2,227.0
Current assets				
Inventories		**16.9**	16.1	16.7
Assets held for sale		**14.6**	84.9	7.2
Trade and other receivables		**70.9**	58.9	69.4
Derivative financial instruments		**0.8**	2.4	2.4
Cash and cash equivalents	9	**49.0**	36.8	42.4
		152.2	199.1	138.1
Liabilities				
Current liabilities				
Borrowings	9	**(32.9)**	(65.4)	(97.9)
Derivative financial instruments		**(4.0)**	–	–
Trade and other payables		**(117.4)**	(114.3)	(119.3)
Current tax liabilities		**(21.0)**	(20.1)	(21.5)
		(175.3)	(199.8)	(238.7)
Non-current liabilities				
Borrowings	9	**(1,285.8)**	(1,119.2)	(1,133.6)
Derivative financial instruments		**(21.9)**	(6.3)	(1.6)
Pension commitments		**(22.9)**	(72.2)	(38.6)
Deferred tax liabilities		**(189.7)**	(171.6)	(195.2)
Other non-current liabilities		**(0.5)**	(0.3)	(0.4)
Provisions		**(7.5)**	(9.0)	(8.5)
		(1,528.3)	(1,378.6)	(1,377.9)
Net assets		**708.2**	628.6	748.5
Shareholders' equity				
Equity share capital		**22.3**	23.0	23.0
Share premium account		**188.6**	187.8	188.5
Merger reserve		**41.5**	41.5	41.5
Revaluation reserve		**440.0**	310.5	438.4
Capital redemption reserve		**6.8**	6.0	6.1
Hedging reserve		**(15.2)**	(2.9)	0.5
Own shares		**(135.3)**	(61.7)	(135.3)
Foreign exchange reserve		**0.2**	–	–
Retained earnings		**159.3**	124.4	185.8
Total equity	10	**708.2**	628.6	748.5

Notes

1 Basis of preparation of interim financial information

This interim financial information has been prepared in accordance with the accounting policies set out in the accounts for the 52 weeks ended 29 September 2007. The Group has adopted IAS 34 'Interim Financial Reporting' in this interim financial information, as implemented by the EU Transparency Directive.

The financial information for the 52 weeks ended 29 September 2007 is extracted from the audited accounts for that period, which have been delivered to the Registrar of Companies. The auditors' report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

The interim financial information does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The interim financial information for the 26 weeks ended 29 March 2008 and the comparatives to 31 March 2007 are unaudited, but have been reviewed by the auditors.

The Group does not consider that any standards or interpretations issued by the International Accounting Standards Board (IASB), but not yet applicable, will have a significant impact on the financial statements for the 53 weeks ending 4 October 2008.

2 Segmental analysis

	29 March 2008					
	Marston's Inns and Taverns £m	**Marston's Pub Company £m**	**Marston's Beer Company £m**	**Marston's Group Services £m**	**Unallocated £m**	**Total £m**
Revenue	**183.8**	**92.7**	**39.9**	**–**	**–**	**316.4**
Operating profit before exceptional items	**28.3**	**43.3**	**7.0**	**(6.0)**	**–**	**72.6**
Exceptional items	**–**	**–**	**–**	**–**	**–**	**–**
Operating profit after exceptional items	**28.3**	**43.3**	**7.0**	**(6.0)**	**–**	**72.6**
Net assets	**957.5**	**1,089.3**	**124.5**	**21.1**	**(1,484.2)**	**708.2**

	31 March 2007					
	Marston's Inns and Taverns £m	Marston's Pub Company £m	Marston's Beer Company £m	Marston's Group Services £m	Unallocated £m	Total £m
Revenue	165.3	99.8	40.2	–	–	305.3
Operating profit before exceptional items	26.5	44.1	7.4	(6.7)	–	71.3
Exceptional items	(2.4)	–	–	–	–	(2.4)
Operating profit after exceptional items	24.1	44.1	7.4	(6.7)	–	68.9
Net assets	862.0	995.7	109.5	23.8	(1,362.4)	628.6

Unallocated comprises net debt, tax, derivatives and pension commitments.

Notes

3 Exceptional items

	29 March 2008 £m	31 March 2007 £m
Operating items		
Costs of reorganisation of newly acquired subsidiaries	–	2.4
Non-operating items		
Write-off of unamortised finance costs following arrangement of new bank facilities	–	0.8
Movement in fair value of interest rate swaps	4.0	–
	4.0	3.2

The funding of the acquisition of Eldridge Pope (note 8) in the prior period necessitated a renegotiation of the Group's borrowing facilities.

The interest rate swaps are revalued to fair value at each balance sheet date and the movement is recognised in the income statement unless hedge accounting is applied. The movement of £4.0m in the fair value of swaps, where hedge accounting has not been applied, is shown as an exceptional item. In addition to this, £21.9m has been recognised in the hedging reserve, in relation to the effective portion of the movement in fair value of swaps which are accounted for as hedging instruments in cash flow hedges.

The deferred tax (2007: current tax) credit relating to the above exceptional items amounts to £1.1m (2007: £0.9m).

4 Finance costs and income

	29 March 2008 £m	31 March 2007 £m
Finance costs		
Bank interest payable	9.2	7.4
Securitised debt interest payable	27.6	21.0
Other interest payable	0.6	0.4
Amortisation of issue costs on securitised debt	1.2	0.6
Amortisation of issue costs on bank loan	0.2	0.1
Net finance expense in respect of retirement benefits	–	1.0
	38.8	30.5
Exceptional finance costs		
Write-off of unamortised finance costs following arrangement of new bank facilities	–	0.8
Movement in fair value of interest rate swaps	4.0	–
	42.8	31.3
Finance income		
Deposit and other interest receivable	(0.6)	(0.8)
Net finance income in respect of retirement benefits	(0.6)	–
	(1.2)	(0.8)
Net finance costs	41.6	30.5

Notes

5 Taxation

The taxation charge for the 26 weeks ended 29 March 2008 has been calculated by applying an estimate of the effective tax rate for the 53 weeks ending 4 October 2008.

	29 March 2008 £m	31 March 2007 £m
Current tax	**6.8**	9.5
Deferred tax	**(0.2)**	0.9
	6.6	10.4

The tax charge includes a deferred tax credit of £1.1m (2007: current tax credit of £0.9m), relating to the tax on exceptional items (note 3).

The Government has announced a reduction in the rate of capital allowances from 25% to 20% (and to 10% on fixtures) and the phased abolition of industrial buildings allowances, expected to be enacted in Finance Act 2008. The changes to capital allowances will have no impact on the total tax charge in the financial statements but will affect the rate at which timing differences reverse. The impact of the abolition of industrial buildings allowances will be an exceptional deferred tax charge of £1.3m. This amount will be charged in the financial statements for the period to 4 October 2008, once Finance Act 2008 has been substantively enacted.

6 Earnings per ordinary share

	29 March 2008			31 March 2007		
	Earnings £m	**Weighted average number of shares m**	**Per share amount p**	Earnings £m	Weighted average number of shares m	Per share amount p
Basic earnings per share	**24.4**	**273.6**	**8.9**	28.0	302.7	9.3
Diluted earnings per share	**24.4**	**276.4**	**8.8**	28.0	306.5	9.1
Underlying earnings per share figures						
Basic earnings per share before exceptional items	**27.3**	**273.6**	**10.0**	30.3	302.7	10.0
Diluted earnings per share before exceptional items	**27.3**	**276.4**	**9.9**	30.3	306.5	9.9

Basic earnings per share is calculated by dividing the profit after tax by the weighted average number of shares in issue during the period excluding treasury shares and those held in the Employee Share Ownership Plan and Long Term Incentive Plan.

Diluted earnings per share is calculated by adjusting the basic earnings per share to assume the notional exercise of the weighted average number of ordinary share options outstanding during the period. The effect of dilutive options is to increase the weighted average number of shares by 2.8m (2007: 3.8m).

Underlying earnings per share figures are presented to exclude the effect of exceptional items. The Directors consider that the supplementary figures provide a useful indication of performance.

7 Property, plant and equipment

	£m
Net book amount at 30 September 2007	1,934.3
Additions	63.7
Disposals	(13.7)
Depreciation, impairment and other movements	(22.6)
Net book amount at 29 March 2008	**1,961.7**

	£m
Net book amount at 1 October 2006	1,584.0
Additions	219.6
Disposals	(71.4)
Depreciation, impairment and other movements	(21.0)
Net book amount at 31 March 2007	1,711.2

Notes

8 Prior period acquisitions

On 16 January 2007, the Group acquired Sovereign Inns. The provisional fair value adjustments stated in the accounts for the 52 weeks ended 29 September 2007 are now confirmed, with no adjustments made to those previously published.

On 25 January 2007, the Group acquired Eldridge Pope. An increase to the fair value of net assets acquired of £0.5m has been identified during the period to 29 March 2008 and recorded as a fair value adjustment. The balance sheet has not been restated as the adjustment is not considered to be significant. All fair value adjustments have now been finalised.

On 12 July 2007, the Group acquired Ringwood Brewery. A reduction to the fair value of net assets acquired of £0.8m has been identified during the period to 29 March 2008 and recorded as a fair value adjustment.

9 Analysis of net debt

	29 March 2008 £m	Cash flow £m	Non-cash flow £m	29 September 2007 £m
Cash and cash equivalents				
Cash at bank and in hand	**49.0**	6.6	–	42.4
Bank overdraft	**(9.6)**	(2.5)	–	(7.1)
	39.4	4.1	–	35.3
Debt due within one year				
Loan notes	**(8.5)**	0.7	–	(9.2)
Bank loans	**0.3**	70.6	–	(70.3)
Securitised debt	**(15.0)**	7.2	(11.0)	(11.2)
Finance leases	**(0.1)**	0.1	(0.1)	(0.1)
	(23.3)	78.6	(11.1)	(90.8)
Debt due after one year				
Bank loans	**(212.4)**	160.0	0.1	(372.5)
Securitised debt	**(1,073.3)**	(330.0)	17.6	(760.9)
Finance leases	**–**	–	0.1	(0.1)
Preference shares	**(0.1)**	–	–	(0.1)
	(1,285.8)	(170.0)	17.8	(1,133.6)
	(1,269.7)	(87.3)	6.7	(1,189.1)

Included within cash at bank and in hand is an amount of £3.9m (at 29 September 2007: £3.9m) relating to a letter of credit with Royal Sun Alliance, which is considered to be restricted cash.

Bank loans due within one year represent unamortised issue costs expected to be charged to the income statement within 12 months of the balance sheet date.

10 Movements in total equity

	29 March 2008 £m	31 March 2007 £m	29 September 2007 £m
Total equity at beginning of the period	**748.5**	653.2	653.2
Total recognised income for the period	**11.3**	35.2	247.8
Dividends paid	**(22.8)**	(21.5)	(34.1)
Proceeds of ordinary share capital issued	**0.1**	0.3	1.1
Cancellation of own shares	**(29.2)**	–	(5.3)
Purchase of treasury shares	**–**	(40.2)	(115.5)
Purchase of own shares for Long Term Incentive Plan	**–**	–	(0.6)
Share-based payments	**0.1**	1.6	1.9
Foreign exchange differences	**0.2**	–	–
Net movement in total equity	**(40.3)**	(24.6)	95.3
Total equity at end of the period	**708.2**	628.6	748.5

Notes

11 Material transactions

Additional contributions of £15.4m were made in the period to the Marston's PLC Pension and Life Assurance Scheme.

12 Capital commitments

Capital expenditure authorised and committed at the period end, but not provided for in this interim financial information, was £13.4m (at 29 September 2007: £15.0m).

13 Contingent liabilities

There have been no material changes to contingent liabilities since 29 September 2007.

14 Seasonality of interim operations

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

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

15 Events after the balance sheet date

On 3 April 2008, the Group acquired 100% of Ryland Thompson Limited ('Refresh') and its wholly owned subsidiaries. In the year ended 31 May 2007, the business had a turnover of £24.9m and generated EBIT (earnings before interest and taxation) of £1.1m.

An interim dividend of £13.0m, being 4.80p (2007: 4.36p) per ordinary share, has been proposed and will be paid on 27 June 2008 to those shareholders on the register at the close of business on 6 June 2008. This interim financial information does not reflect this dividend payable.

16 Interim report

The interim report was approved by the Board on 23 May 2008.

17 Copies

Copies of this report have been sent to shareholders and are available to the public on request from: The Company Secretary, Marston's PLC, Marston's House, Brewery Road, Wolverhampton, WV1 4JT.

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