25 May 2007

INTERIM RESULTS FOR THE 26 WEEKS ENDED 31 MARCH 2007

Financial

- Underlying[1] earnings per share[2] up 10.6% to 10.01 pence (2006: 9.05 pence)
- Interim dividend[2] up 20.1% to 4.36 pence per share (2006: 3.63 pence per share)
- Underlying operating margin, excluding acquisitions, up 0.2% to 24.1% (2006: 23.9%)
- Share buy-back to be increased from £100 million to £150 million

Operational

- Marston's Inns and Taverns like-for-like sales up 7.0%
- Marston's Pub Company average EBITDA per pub[3] up 15%
- Marston's Beer Company – market share and volume growth for key brands
- Integration of Eldridge Pope completed at the end of March – business performing strongly
- Smoking ban – investment plans complete; encouraging early indications in Wales
- Good current trading in all divisions, with like-for-like sales in Marston's Inns and Taverns up 6.6% for the 33 weeks to 19 May 2007

Ralph Findlay, Chief Executive, commented:

"We continue to benefit from targeting the growing pub food market in both managed and tenanted pubs. Our new-build programme, the acquisition of Eldridge Pope and the recent disposal of 279 tenanted pubs mean that the quality of our principally freehold pub estate continues to improve, and that food sales continue to increase as a proportion of our turnover. We are also achieving growth and greater market share in our key ale brands, particularly Marston's Pedigree and Jennings Cumberland Ale."

[1] 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.
[2] Prior year comparatives in this release relating to earnings per share and dividend per share have been restated to take account of the 4-for-1 share split which was effective from 8 January 2007.
[3] Excluding 279 pubs sold on 10 May 2007

ENQUIRIES:

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To access interviews with Ralph Findlay and Paul Inglett, available in video, audio and text, go to www.cantos.com. High quality images for the media to access and download free of charge are available from Visual Media Online at www.vismedia.co.uk

Chairman's statement

These strong first half-year results demonstrate our ability to drive sustained organic growth as well as good returns from acquisitions. These results are being achieved through the implementation of our strategy to increase our emphasis on food, families and female customers in response to well established trends in our market place. Our foremost priority is our focus on customers and operational excellence, as demonstrated by the strong like-for-like sales growth achieved in Marston's Inns and Taverns.

The recent acquisitions of Eldridge Pope and Sovereign Inns, together with the disposal of 279 smaller, wet-led tenanted pubs announced on 10 May 2007, provide additional opportunities for continued development. Our geographical spread has widened and the average quality of the estate has been further improved.

Results

Turnover increased by 8.5% to £305.3 million (2006: £281.4 million), including £13.4 million contributed by acquisitions, principally Eldridge Pope.

Underlying operating margin, excluding acquisitions, increased to 24.1% (2006: 23.9%) notwithstanding significantly higher energy costs and a 5.9% increase in the national minimum wage from October 2006. Underlying operating profit from existing operations (excluding acquisitions) increased by 4.8% to £70.4 million (2006: £67.2 million).

Underlying profit before taxation increased by 1.5% to £41.6 million (2006: £41.0 million) after the impact of higher interest costs resulting from the share buy-back programme and acquisitions. Profit after exceptional items, which relate principally to integration costs, was £38.4 million (2006: £41.0 million).

Underlying earnings per share increased by 10.6% to 10.01 pence per share (2006: 9.05 pence per share). Basic earnings per share after exceptional items were 9.25 pence per share (2006: 9.05 pence per share).

Dividend

The Board declares an interim dividend of 4.36 pence per share (2006: 3.63 pence per share) which will be paid on 29 June 2007 to those shareholders on the register at the close of business on 8 June 2007. The increase of 20.1% reflects our strong trading performance and, in particular, strong underlying cash flow. Dividends paid to shareholders have increased by over 10% per annum for the last 30 years.

Share buy-backs

On announcing the acquisition of Eldridge Pope we confirmed our intention to return around £100 million to shareholders this financial year, subject to retaining the flexibility to make further acquisitions should suitable opportunities arise. During February and March 2007 we purchased and placed in treasury 9.1 million shares at a total cost of £40.2 million.

The disposal of 279 smaller tenanted pubs for £82.5 million, announced on 10 May 2007, provides a further opportunity to return cash to shareholders, and we have therefore decided to increase the amount to be returned from £100 million to around £150 million. This is to be achieved in this calendar year through further market purchases. Thereafter, we will continue to target an efficient balance sheet structure and will review the potential for further capital returns on an ongoing basis.

Financing structure

We have examined carefully the potential for realising greater shareholder value through creating a Real Estate Investment Trust ('REIT') under the legislation introduced by the government earlier this year. We estimate currently that the costs of implementing a REIT structure by splitting the business into an operating company and property company would largely offset the potential tax benefits of doing so. Additionally, the freehold ownership of pubs gives critical operational flexibility in today's rapidly changing trading environment and has also allowed shareholders to benefit from capital appreciation. Consequently, we do not plan at this stage to split the business into an operating and property company, but will continue to review the situation as the market for REITs in the pub sector develops.

Prospects

A ban on smoking in public places was introduced in Wales on 2 April 2007 and is due to be implemented in England on 1 July 2007. Following the disposal of 279 pubs on 10 May 2007 we currently have 182 pubs in Wales, and although it is too soon to draw conclusions about the impact of the ban, trading to date has been encouraging.

Our preparations for the ban in England are well advanced. Over 90% of our pubs have gardens, patios or some form of outside trading area. We have made excellent progress in developing our food offers in Marston's Inns and Taverns, with food sales now comprising 33% of total retail sales within our managed pubs. The disposal of 279 smaller tenanted pubs, representing some 14% of our tenanted and leased estate, has reduced significantly our exposure to those pubs which are most vulnerable to the impact of the ban.

The integrations of the Eldridge Pope and Sovereign Inns acquisitions were completed to plan and open up a number of additional development opportunities. We continue to evaluate acquisitions that are consistent with our strategy and review all the value-generating opportunities that our integrated model offers from potential transactions.

Our integrated business model provides us with wider investment opportunities and increased operational flexibility. 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

Chief Executive's review

Business development

These good results include turnover growth of 8.5% and growth in underlying earnings per share of 10.6%. Underlying profit before taxation is ahead of last year despite higher interest costs resulting from share buy-backs and acquisitions.

Well established trends in our market, including the growth of pub dining, greater emphasis on drinking more responsibly and regulatory changes such as the smoking ban, open up new opportunities for our business. Our operational strategy has been developed carefully to ensure that we derive the maximum benefit from a high quality estate that is particularly well suited to this changing environment.

Our acquisitions strategy and our plans for growing the business, through building new pubs and acquiring existing trading pubs are focussed on building on our success in attracting families and females into pubs with a strong food offer. We have also been successful in extending our trading geography.

In the high street, we have concentrated on developing bars which are more able to attract customers through a high quality offer, rather than price-led discounting. We have invested in differentiated offers such as Pitcher & Piano, Bluu and, through the acquisition of Eldridge Pope, Que Pasa.

In our tenanted and leased estate, operated as Marston’s Pub Company, we invested a record £24.1 million in pub refurbishment ahead of the smoking ban. Our investment focus is on enabling tenants and lessees to exploit the full potential of their pubs, with an emphasis on food development.

These trends are also having a positive impact on Marston’s Beer Company. The increasing emphasis on food in our pubs is attracting more consumers who are interested in locally sourced ingredients, higher quality products, and regional beers. As a result, we are seeing good growth in premium cask ale, particularly Marston’s Pedigree and Jennings Cumberland Ale.

The acquisition of Eldridge Pope was completed on 25 January 2007 for £155.1 million (excluding acquisition costs of £1 million). Eldridge Pope has a high quality substantially freehold estate of 135 pubs (excluding 18 pubs to be sold) based predominantly in Southern England. The estate comprises 95 managed pubs and 40 tenanted pubs. The pubs have a strong emphasis on food, which represents approximately 30% of managed pub turnover. Twenty six pubs, operated as ‘Nostalgic Inns’, also offer accommodation.

The acquisition provides opportunities to convert appropriate Eldridge Pope sites into existing Marston's formats including Pitcher & Piano, Marston's Tavern Table, Taverner’s Carvery and Two for One, as well as to extend the Que Pasa format within the existing Marston's estate. In the tenanted estate there is the potential to move the current tenancy agreements to longer term Marston's Pub Company agreements and scope to improve performance through investment. Both the managed and tenanted pubs offer the opportunity for increased distribution of beers from Marston's Beer Company.

Our target of 20 pub openings this year from new site development or individual pub acquisitions is on-track.

Marston’s Inns and Taverns

As at 31 March 2007, the managed pub estate comprised 568 pubs (2006: 543 pubs). In the second half of last year 93 pubs were transferred to Marston’s Pub Company. Acquisitions include the Eldridge Pope managed estate of 113 pubs (including 18 pubs to be sold) and seven new build managed pubs in Brighton, London, Hertfordshire, Cheshire, Nuneaton, Bristol and Exeter. Eleven high street bars were sold during the half-year.

Turnover increased by 1.0% to £154.6 million (2006: £153.1 million) including like-for-like sales growth of 7.0%. Like-for-like food sales increased by 14.0%, with food sales now comprising 33% of total sales in the division. Underlying operating profit increased to £26.1 million (2006: £25.9 million) and underlying margins were maintained at 16.9%.

This strong growth in like-for-like sales is principally volume led, with average prices broadly in line with last year. Room income, which comprises around 2% of turnover, also increased following the introduction of more effective web-based marketing and links with on-line booking agencies. Accommodation is a larger component of turnover in the Eldridge Pope estate. Further growth is targeted via the integration of the two pub estates, introducing centralised booking and by developing a consistent approach to marketing around 800 rooms available across the managed pub estate.

Growth in food sales has been a key component of our strategy over recent years and we now have one of the highest proportion of sales from food in the sector. We have introduced a clearer, more consistent ‘branding’ of our food pubs, using the Marston’s name, to communicate the range and value of our offers.

A comprehensive menu development programme has resulted in menus with more emphasis on local sourcing, healthy eating options and more variety for children. Our focus on quality and value contributed to our strong like-for-like sales growth, which continues to be driven by more customer visits rather than through higher prices.

In addition to the good performance of food pubs, investment in branded and unbranded high street pubs and bars has also achieved good returns. Pitcher & Piano openings in Brighton, Exeter and Worcester have taken the number of Pitcher & Piano bars to 26. We believe that up to six Que Pasa sites have the potential to trade more profitably as Pitcher & Piano bars, with around 15 unbranded bars similarly earmarked for conversion to Que Pasa.

In addition to £13.3 million invested in the seven new pubs, £18.5 million was invested in the existing estate, including the major refurbishment of 27 pubs and bars.

Marston’s Pub Company

As at 31 March 2007, the tenanted and leased pub estate comprised 1,967 pubs (2006: 1,815 pubs). Since 2 April 2006, 93 pubs have been transferred from Marston’s Inns and Taverns. Acquisitions include the Eldridge Pope tenanted estate of 40 pubs, the Sovereign Inns estate of 33 freehold pubs across the Midlands, and 10 other pubs. Nine pubs were sold in the first half-year to 31 March 2007 and 279 smaller tenanted pubs were sold for £82.5 million on 10 May 2007.

Total turnover increased by 12.4% to £97.1 million (2006: £86.4 million). Underlying operating margin increased to 44.6% (2006: 44.0%) and underlying operating profit increased by 13.9% to £43.3 million (2006: £38.0 million).

Trends in Marston’s Pub Company reflect increasing rents as a consequence of conversion from shorter term to longer term agreements, and growth in non-tied products, particularly food.

The 279 pubs sold on 10 May 2007 were mainly pubs with limited potential to develop a meaningful food offer. As a consequence average profit (EBITDA) per pub (excluding the 279 pubs sold on 10 May 2007) increased by 15% to £64k per pub on an annualised basis.

To enhance our ability to benefit from these trends, we completed 107 major schemes of refurbishment in the first half-year, averaging around £100k per pub, and invested a further £7 million on external trading areas ahead of the smoking ban. Although capital investment in external trading areas is only one response to the ban – addressing the opportunities and changing customer profile being equally important – we have been impressed by the willingness of our operators to be proactive in addressing the issues.

As the pub market responds to growth in pub dining, there is greater emphasis on recruiting the right tenant for the right pub and ensuring that they are properly equipped and trained in what is becoming a very competitive market. This year, for example, we trained all of our Business Development Managers using the British Institute of Innkeepers ('BII') Profitable Business Portfolio as part of a professional development programme covering all aspects of pub management.

In addition to a full support package of business training for tenants and lessees, we launched an 'al fresco' dining roadshow touring Marston's outlets across the country. We are hosting workshops for Marston's licensees including cooking demonstrations, advice on creating the perfect outdoor space and tips on creating the ideal menu. Licensees attending are provided with a DVD and support details to help recreate the experience in their own pubs.

To attract the best tenants and lessees, visible commitment to good practice is becoming more important. Marston's Pub Company has worked with the BII to provide greater clarity and more trading information for in-coming tenants and lessees, partly in response to the 2004 Trade & Industry Select Committee inquiry into pub companies. As a result, we were amongst the first to receive BII accreditation recognising that our code of practice gives clear information about the expectations that prospective tenants should have of us.

We are also introducing open-book accounting as part of our response to the inquiry, and more flexibility and choice in lease agreements with clearer guidelines in terms of rent policy, repair agreements and beer discounts. The adoption of open-book accounting will see all new licensees required to work with a specialist firm of accountants in their first year.

These are significant operational changes which we believe will help to ensure that we and our licensees are properly equipped to deal with changes in the pub market.

Marston's Beer Company

Turnover of £40.2 million compares to £41.9 million last year and reflects the planned withdrawal from several low margin wholesalers, and the loss of non-owned brand sales into the Pyramid Pub Company as a result of its acquisition by Admiral Taverns.

Our own key brands have outperformed the beer market, with Marston's Pedigree, Marston's Smooth, Jennings Cumberland Ale and Banks's Original achieving volume growth of 1.0%. Our performance in premium ale – mainly Marston's Pedigree and Jennings Cumberland Ale – was particularly strong, with increased market share and volume growth of 4.8%, consolidating our position as the 'Number 1' brewer of premium cask ale in the UK.

Underlying operating margin was 18.4% compared to 19.1% last year, and underlying operating profit was £7.4 million (2006: £8.0 million) after increasing investment in our lead brands. This investment was focussed on Marston's sponsorship of the England and Wales Cricket Board, Sky's television coverage of the Cricket World Cup and activities to increase Jennings' distribution in the Lake District.

Our objectives in developing a close involvement with cricket include building upon the relationships we already have with Surrey (as The Official Beer of Surrey and The Oval), Warwickshire, Worcestershire, Derbyshire, Durham and Somerset and gaining new ones. We were delighted, therefore, to announce in April 2007 that Marston's Pedigree is now also the Official Beer of Lords and the MCC.

The decision to reduce low margin business with certain wholesale customers principally affected factored brands rather than our own brands. This decision was taken in order to strengthen our high level of control over beer containers and to limit the risk of beer being sold to tenants and lessees through unauthorised trade channels. The impact on profitability has been minimal.

Reinforcing our uncompromising stance on beer quality, we have again teamed up with The Morning Advertiser to launch the second year of CaskForce, an initiative to improve the quality of beer in pubs, while also offering licensees the chance to win the first prize: a year's rent on their pub.

Current trading

Current trading in Marston's Inns and Taverns, Marston's Pub Company and Marston's Beer Company has been good and in line with expectations. In the 33 weeks to 19 May 2007 like-for-like sales in Marston's Inns and Taverns were 6.6% ahead of last year, with continuing strong growth in food sales.

Ralph Findlay
Chief Executive

Financial review

	Turnover		Underlying operating profit (note 2)		Margin	
	2007	2006	**2007**	2006	**2007**	2006
	£m	£m	**£m**	£m	**%**	%
Marston's Inns and Taverns	**154.6**	153.1	**26.1**	25.9	**16.9**	16.9
Marston's Pub Company	**97.1**	86.4	**43.3**	38.0	**44.6**	44.0
Marston's Beer Company	**40.2**	41.9	**7.4**	8.0	**18.4**	19.1
Central	**-**	-	**(6.4)**	(4.7)	**(2.1)**	(1.7)
Existing operations	**291.9**	281.4	**70.4**	67.2	**24.1**	23.9
Eldridge Pope acquisition	**12.9**	-	**0.6**	-	**4.7**	-
Sovereign Inns acquisition	**0.5**	-	**0.3**	-	**60.0**	-
Group	**305.3**	281.4	**71.3**	67.2	**23.4**	23.9

Results

These interim results reflect a strong Group performance. Turnover increased by 8.5% to £305.3 million. Underlying operating profit has risen by 6.1% to £71.3 million and underlying earnings per share has risen by 10.6% to 10.01 pence per share.

Operating profit after exceptional items was £68.9 million, up 2.5% on the prior year, and basic earnings per share (after exceptional items) was 9.25 pence per share, up 2.2% on the prior year.

Growth has been driven by strong like-for-like sales, the benefit of acquisitions and effective cost control.

Eldridge Pope was acquired on 25 January 2007 and contributed £0.6 million to underlying operating profit during the period. This modest profit for the two months post acquisition reflects the seasonality of the business. Interest costs of £1.7 million were incurred during the period in relation to the additional borrowings required to acquire Eldridge Pope.

In the current financial year Eldridge Pope is expected to be broadly profit neutral, and earnings enhancing thereafter. The integration has been completed successfully and the Group has already secured ongoing synergies of £4.6 million per annum, which are currently being realised.

Margin

The underlying operating margin of the Group, excluding acquisitions, increased by 0.2% to 24.1%. This was achieved despite higher energy costs and the increase in the national minimum wage. Central costs have increased compared to the prior year principally as a result of one-off costs of £0.5 million associated with changing our name to Marston's PLC in January 2007 and increased pension costs.

Dividend

The interim dividend is increased to 4.36 pence per share (2006: 3.63 pence per share), an uplift of over 20% on last year. The Group has increased dividends by an average of over 10% per annum for more than 30 years. Dividend cover at the half-year is 2.3 times (2006: 2.5 times).

Acquisition of Eldridge Pope

Eldridge Pope was acquired on 25 January 2007 for £155.1 million, comprising consideration of £83.2 million for the equity and net debt acquired of £71.9 million. New bank facilities were arranged to fund the acquisition. The Eldridge Pope properties were valued independently at £128.9 million. Goodwill arising on the acquisition was £59.1 million (note 7).

Acquisition of Sovereign Inns

Sovereign Inns was acquired on 16 January 2007 for £19.6 million, comprising consideration of £14.3 million for the equity and net debt acquired of £5.3 million. The acquisition was funded from existing bank facilities at that time. The Sovereign Inns properties were independently valued at £19.1 million. Goodwill arising on the acquisition was £4.8 million (note 8).

Sale of 279 pubs

Subsequent to the half-year, 279 tenanted pubs were sold to Piccadilly Licensed Properties Limited, a company owned and controlled by aAIM Group, for a cash consideration of £82.5 million. The pubs had an asset value of £81.1 million and generated annual EBITDA of £7.5 million. The transaction took place on 10 May 2007 and hence does not impact on these interim results. All of the pubs were included within assets held for sale at 31 March 2007.

Cash flow

The business continues to be highly cash generative with EBITDA (earnings before interest, tax, depreciation and amortisation) of £89.6 million and net cash inflow from operations of £69.4 million in the period. The significant movement in working capital was principally the result of temporary timing differences, the majority of which are expected to reverse in the second half of this year.

Financing

Net debt at 31 March 2007 was £1,145.7 million, compared to £893.7 million at 30 September 2006, principally reflecting increased borrowings to fund the two acquisitions and ongoing share buy-backs in the period.

Interest on around 70% of the net debt at 31 March 2007 is fixed by the Group's fixed rate securitised debt, interest rate swaps and debentures acquired with Eldridge Pope. The percentage of borrowings at a fixed interest rate is lower than in the prior year, as a result of additional variable interest rate bank borrowings to fund the recent acquisitions and share buy-backs.

Net interest costs before exceptional items have increased by £3.5 million compared to the prior year as a result of increased net debt and base rate interest rate rises. The approximate impact of a 1% rise in interest rates is an additional £4 million annual interest cost for the Group.

On a 12-month pro-forma basis to 31 March 2007 the ratio of net debt to EBITDA was 5.5 times. Interest cover was 2.9 times for the 12 months to 31 March 2007. The available headroom in the Group's bank facilities at the half-year (prior to the disposal of 279 tenanted pubs on 10 May 2007) was approximately £120 million.

Share buy-backs

During the interim period the Group purchased 9.1 million Marston's shares for £40.2 million, which are held as treasury shares. This is part of our share buy-back programme which we have decided to increase from the £100 million first announced in December 2006 to £150 million for this calendar year. The additional return of cash to shareholders follows the sale of 279 pubs on 10 May 2007.

Share split

The Group completed a 4-for-1 share split on 8 January 2007. Historic earnings per share have been restated to reflect the split (note 6).

Taxation

The underlying rate of taxation (before exceptional items) has reduced to 27.2% from 31.7% in 2006 (full year 2006: 27.8%), reflecting an increased deferred tax credit arising from additional indexation on properties. The tax charge in the interim results is calculated by applying an estimate of the expected effective rate of taxation for the full year.

Exceptional items

Exceptional costs of £3.2 million (£2.3 million after tax) arose in relation to the acquisition of Eldridge Pope. Reorganisation costs of £2.4 million were incurred and a finance cost of £0.8 million was recognised on the write off of the unamortised finance costs relating to the existing bank facilities, following the arrangement of new borrowings to fund the acquisition of Eldridge Pope.

Paul Inglett
Finance Director

GROUP INCOME STATEMENT (UNAUDITED)

for the 26 weeks ended 31 March 2007

	Notes	**26 weeks to 31 March 2007** Before exceptional items £m	Exceptional items £m	Total £m	26 weeks to 1 April 2006 Before exceptional items £m	Exceptional items £m	Total £m	52 weeks to 30 September 2006 Total £m
Revenue								
Existing		**291.9**	**-**	**291.9**	281.4	-	281.4	595.5
Acquisitions		**13.4**	**-**	**13.4**	-	-	-	-
Total revenue	2	**305.3**	**-**	**305.3**	281.4	-	281.4	595.5
Operating expenses	3	**(234.0)**	**(2.4)**	**(236.4)**	(214.2)	-	(214.2)	(443.2)
Operating profit								
Existing		**70.4**	**-**	**70.4**	67.2	-	67.2	152.3
Acquisitions		**0.9**	**(2.4)**	**(1.5)**	-	-	-	-
Total operating profit	2	**71.3**	**(2.4)**	**68.9**	67.2	-	67.2	152.3
Finance costs	3	**(30.5)**	**(0.8)**	**(31.3)**	(26.8)	-	(26.8)	(52.1)
Finance income		**0.8**	**-**	**0.8**	0.6	-	0.6	1.3
Net finance costs	4	**(29.7)**	**(0.8)**	**(30.5)**	(26.2)	-	(26.2)	(50.8)
Profit before taxation		**41.6**	**(3.2)**	**38.4**	41.0	-	41.0	101.5
Taxation	5	**(11.3)**	**0.9**	**(10.4)**	(13.0)	-	(13.0)	(28.2)
Profit for the period attributable to equity shareholders		**30.3**	**(2.3)**	**28.0**	28.0	-	28.0	73.3

All results relate to continuing operations.

Earnings per share:

	Notes	26 weeks to 31 March 2007	26 weeks to 1 April 2006 As restated	52 weeks to 30 September 2006 As restated
Basic earnings per share	6	**9.25p**	9.05p	23.78p
Basic earnings per share before exceptional items	6	**10.01p**	9.05p	23.78p
Diluted earnings per share	6	**9.14p**	8.98p	23.53p
Diluted earnings per share before exceptional items	6	**9.89p**	8.98p	23.53p

A dividend of 4.36p (2006: 3.63p) per ordinary share has been proposed and will be paid on 29 June 2007.

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE (UNAUDITED)

for the 26 weeks ended 31 March 2007

	26 weeks to 31 March 2007 £m	26 weeks to 1 April 2006 £m	52 weeks to 30 September 2006 £m
Profit for the period	**28.0**	28.0	73.3
Income/(expense) recognised directly in equity:			
Cash flow hedges	**10.7**	(3.3)	0.3
Pension scheme actuarial losses	**-**	-	(18.0)
Unrealised (deficit)/surplus on revaluation of properties	**(2.6)**	0.2	(3.7)
Tax on items taken directly to equity	**(0.9)**	0.4	10.3
Net gains/(losses) not recognised in the income statement	**7.2**	(2.7)	(11.1)
Total recognised income for the period	**35.2**	25.3	62.2

GROUP CASH FLOW STATEMENT (UNAUDITED)

for the 26 weeks ended 31 March 2007

	Notes	**26 weeks to 31 March 2007 £m**	26 weeks to 1 April 2006 £m	52 weeks to 30 September 2006 £m
Operating activities				
Operating profit		**68.9**	67.2	152.3
Depreciation and amortisation		**20.7**	20.3	39.1
EBITDA*		**89.6**	87.5	191.4
Working capital and non-cash movements	10	**(19.6)**	4.0	2.6
Income tax (paid)/received		**(0.6)**	7.7	(4.0)
Net cash inflow from operating activities		**69.4**	99.2	190.0
Investing activities				
Interest received		**1.1**	0.7	1.6
Sale of property, plant and equipment		**12.8**	15.9	36.8
Investment in plant and equipment for existing business		**(48.1)**	(39.1)	(71.0)
Purchase of new pubs/site developments		**(20.9)**	(11.7)	(28.1)
Movement in non-current assets		**(1.3)**	(0.5)	(2.0)
Acquisition of subsidiaries, net of cash acquired		**(95.8)**	(20.4)	(22.4)
Repayment of debt of subsidiaries upon acquisition		**(57.9)**	(10.0)	(13.7)
Movement in available-for-sale investments		**31.8**	(32.3)	(31.8)
Net cash outflow from investing activities		**(178.3)**	(97.4)	(130.6)
Financing activities				
Equity dividends paid		**(21.5)**	(19.8)	(31.0)
Issue of shares		**0.3**	1.3	2.6
Sale of own shares by share trust		**-**	0.8	0.9
Purchase of treasury shares		**(40.2)**	-	(14.8)
Purchase of own shares for Long Term Incentive Plan		**-**	(4.6)	(6.6)
Interest paid		**(26.4)**	(21.7)	(47.5)
Arrangement costs of new bank facilities		**(1.1)**	-	-
Repayment of securitised debt		**(5.7)**	(4.7)	(10.1)
Issue costs paid on securitised debt		**-**	(0.7)	(0.7)
Advance of loans		**381.2**	76.0	43.0
Repayment of loans		**(165.0)**	(48.2)	(14.2)
Repayment of loan notes		**(0.7)**	-	(0.8)
Capital element of finance leases repaid		**(0.1)**	(0.1)	(0.1)
Movement in other financial assets		**(2.1)**	-	-
Net cash inflow/(outflow) from financing activities		**118.7**	(21.7)	(79.3)
Net increase/(decrease) in cash and cash equivalents	11	**9.8**	(19.9)	(19.9)
Reconciliation of net cash flow to movement in net debt				
Increase/(decrease) in cash and cash equivalents in the period	11	**9.8**	(19.9)	(19.9)
(Decrease)/increase in available-for-sale investments		**(31.8)**	32.3	31.8
Increase in other financial assets		**2.1**	-	-
Cash inflow from increase in debt		**(209.7)**	(23.0)	(17.8)
Change in debt resulting from cash flows	11	**(229.6)**	(10.6)	(5.9)
Net debt acquired with subsidiaries	11	**(22.0)**	(14.2)	(14.2)
Non-cash movements	11	**(0.4)**	(1.3)	(1.8)
Movement in net debt in the period		**(252.0)**	(26.1)	(21.9)
Net debt at beginning of period	11	**(893.7)**	(871.8)	(871.8)
Net debt at end of period	11	**(1,145.7)**	(897.9)	(893.7)

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

GROUP BALANCE SHEET (UNAUDITED)

as at 31 March 2007

	Notes	**31 March 2007 £m**	As restated 1 April 2006 £m	30 September 2006 £m
Assets				
Non-current assets				
Intangible assets		**6.8**	5.2	5.5
Goodwill		**212.3**	147.1	148.3
Property, plant and equipment		**1,711.2**	1,594.3	1,584.0
Deferred tax assets		**51.1**	46.8	48.9
Financial assets: other receivables		**2.1**	-	-
Other non-current assets		**24.4**	24.2	23.1
		2,007.9	1,817.6	1,809.8
Current assets				
Inventories		**16.1**	14.6	12.8
Assets held for sale		**84.9**	2.7	26.2
Trade and other receivables		**58.9**	50.1	50.6
Derivative financial instruments		**2.4**	-	-
Financial assets: available-for-sale investments		**-**	32.3	31.8
Cash and cash equivalents		**36.8**	64.6	39.8
		199.1	164.3	161.2
Liabilities				
Current liabilities				
Borrowings		**(65.4)**	(64.0)	(38.6)
Derivative financial instruments		**-**	(0.6)	(0.5)
Trade and other payables		**(114.3)**	(100.5)	(108.1)
Current tax liabilities		**(20.1)**	(12.7)	(11.2)
		(199.8)	(177.8)	(158.4)
Non-current liabilities				
Borrowings		**(1,119.2)**	(930.8)	(926.7)
Derivative financial instruments		**(6.3)**	(17.8)	(14.3)
Pension commitments		**(72.2)**	(45.6)	(53.1)
Deferred tax liabilities		**(171.6)**	(164.9)	(162.6)
Other non-current liabilities		**(0.3)**	(0.9)	(0.7)
Provisions		**(9.0)**	(2.1)	(2.0)
		(1,378.6)	(1,162.1)	(1,159.4)
Net assets		**628.6**	642.0	653.2
Shareholders' equity				
Equity share capital		**23.0**	22.8	23.0
Share premium account		**187.8**	186.4	187.5
Merger reserve		**41.5**	41.5	41.5
Revaluation reserve		**310.5**	311.6	311.2
Capital redemption reserve		**6.0**	6.0	6.0
Hedging reserve		**(2.9)**	(12.9)	(10.4)
Own shares		**(61.7)**	(4.8)	(21.5)
Retained earnings		**124.4**	91.4	115.9
Shareholders' equity	12	**628.6**	642.0	653.2

NOTES

1 Basis of preparation of interim financial information

This interim financial information has been prepared in accordance with the accounting policies as set out in the accounts for the 52 weeks ended 30 September 2006. The Group has not adopted IAS 34 'Interim Financial Reporting'; this standard is not mandatory in the United Kingdom.

The financial information for the 52 weeks ended 30 September 2006 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 balance sheet at 1 April 2006 has been restated to reflect the Group's adoption of the Amendment to IAS 19 'Employee Benefits' and a deferred tax asset in respect of derivative financial instruments that was not previously recorded. Available-for-sale investments have been presented separately from cash and cash equivalents. These items were reflected in the accounts for the 52 weeks ended 30 September 2006 and hence are applied consistently in this interim financial information.

On 8 January 2007 the name of the Company was changed to Marston's PLC (formerly The Wolverhampton & Dudley Breweries, PLC) and this is consistent throughout this financial information.

2 Segmental analysis

The names of the trading divisions were changed on 8 January 2007 to Marston's Inns and Taverns (formerly Pathfinder Pubs), Marston's Pub Company (formerly The Union Pub Company) and Marston's Beer Company (formerly WDB Brands).

	31 March 2007							
	Marston's Inns and Taverns £m	**Marston's Pub Company £m**	**Marston's Beer Company £m**	**Eldridge Pope £m**	**Sovereign Inns £m**	**Central £m**	**Unallocated £m**	**Total £m**
Revenue	**154.6**	**97.1**	**40.2**	**12.9**	**0.5**	**-**	**-**	**305.3**
Operating profit before exceptional items	**26.1**	**43.3**	**7.4**	**0.6**	**0.3**	**(6.4)**	**-**	**71.3**
Exceptional items	**-**	**-**	**-**	**(2.4)**	**-**	**-**	**-**	**(2.4)**
Operating profit after exceptional items	**26.1**	**43.3**	**7.4**	**(1.8)**	**0.3**	**(6.4)**	**-**	**68.9**
Net assets	**715.2**	**941.4**	**109.6**	**179.0**	**23.9**	**21.9**	**(1,362.4)**	**628.6**

Included above are nine weeks trading by Eldridge Pope (note 7) and eleven weeks trading by Sovereign Inns (note 8). Eldridge Pope includes managed and tenanted houses and a free trade business. Sovereign Inns consists of tenanted houses only.

Goodwill on acquisitions is included within the net assets of the relevant segment.

	1 April 2006					
	Marston's Inns and Taverns £m	Marston's Pub Company £m	Marston's Beer Company £m	Central £m	Unallocated £m	Total £m
Revenue	153.1	86.4	41.9	-	-	281.4
Operating profit before exceptional items	25.9	38.0	8.0	(4.7)	-	67.2
Exceptional items	-	-	-	-	-	-
Operating profit after exceptional items	25.9	38.0	8.0	(4.7)	-	67.2
Net assets	777.0	820.8	115.4	21.5	(1,092.7)	642.0

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

3 Exceptional items

	31 March 2007 £m	1 April 2006 £m
Costs of reorganisation of newly acquired subsidiaries	**2.4**	-
Write-off of unamortised finance costs following arrangement of new bank facilities	**0.8**	-
	3.2	-

The funding of the acquisition of Eldridge Pope (note 7) during the period necessitated a renegotiation of the Group's borrowing facilities.

NOTES

4 Finance costs and income

	31 March 2007 £m	1 April 2006 £m
Finance costs		
Bank interest payable	**7.4**	2.9
Securitised debt interest payable	**21.0**	21.3
Other interest payable	**0.4**	0.7
Amortisation of issue costs on securitised debt	**0.6**	0.5
Amortisation of issue costs on bank loan	**0.1**	0.1
Net finance expense in respect of retirement benefits	**1.0**	1.3
Exceptional finance costs (note 3)	**0.8**	-
	31.3	26.8
Finance income		
Deposit and other interest receivable	**(0.8)**	(0.6)
Net finance costs	**30.5**	26.2

5 Taxation

The taxation charge for the 26 weeks ended 31 March 2007 is calculated by applying an estimate of the effective tax rate for the 52 weeks ending 29 September 2007.

	31 March 2007 £m	1 April 2006 £m
Current tax	**9.5**	11.4
Deferred tax	**0.9**	1.6
	10.4	13.0

Changes announced in the Budget 2007 have not yet been substantively enacted and therefore the impact has not been reflected in the estimate of the effective tax rate for the year.

6 Earnings per ordinary share

	31 March 2007			1 April 2006		
					As restated	As restated
	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	**28.0**	**302.7**	**9.25**	28.0	309.3	9.05
Diluted earnings per share	**28.0**	**306.5**	**9.14**	28.0	311.7	8.98
Underlying earnings per share figures						
Basic earnings per share before exceptional items	**30.3**	**302.7**	**10.01**	28.0	309.3	9.05
Diluted earnings per share before exceptional items	**30.3**	**306.5**	**9.89**	28.0	311.7	8.98

Historic earnings per share and the weighted average number of shares have been restated to reflect the 4-for-1 share split that was completed on 8 January 2007.

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 3.8m (2006: 2.4m).

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 Acquisition of Eldridge Pope

On 25 January 2007, the Group acquired 100% of Nouveaustar Limited ("Eldridge Pope") and its wholly owned subsidiaries. The acquisition has been accounted for under acquisition accounting principles and is therefore included in the consolidated balance sheet as at 31 March 2007.

	Book value £m	Fair value adjustments Revaluations £m	Fair value adjustments Other £m	Provisional fair value £m
Non-current assets	107.0	28.3	0.4	135.7
Current assets	11.3	-	0.2	11.5
Current liabilities	(20.9)	-	-	(20.9)
Non-current liabilities	(81.0)	(14.8)	(5.4)	(101.2)
Net assets acquired	**16.4**	**13.5**	**(4.8)**	**25.1**
Cash consideration (including acquisition fees of £1.0m)				84.2
Goodwill arising on consolidation				**59.1**

The attributed fair values are provisional.

The revaluation adjustment reflects the valuation of the acquired estate as at 25 January 2007. The valuation was carried out by independent chartered surveyors Colliers CRE on an open market value basis. Valuations reflecting onerous leases have been included in provisions. Deferred tax on property revaluations has been recognised on acquisition.

The other fair value adjustments reflect the elimination of negative goodwill, the fair values of the debentures, derivative financial instruments and defined benefit pension scheme commitments at the date of acquisition, and the associated deferred tax.

The net cash outflow in respect of the acquisition of Eldridge Pope was:

	£m
Acquisition of equity	
Cash	84.2
Net cash held by subsidiary	(2.4)
	81.8
Acquisition of debt	
Immediate repayment of subsidiary's debt	52.3
Net cash outflow in respect of the acquisition	134.1

The purchase agreement for Eldridge Pope required the immediate repayment of certain borrowings, which were included in its balance sheet at the date of acquisition. The debt repayments have therefore been classified as part of the overall consideration for the acquisition of Eldridge Pope.

8 Acquisition of Sovereign Inns

On 16 January 2007, the Group acquired 100% of Sovereign Inns Limited ("Sovereign Inns"). The acquisition has been accounted for under acquisition accounting principles and is therefore included in the consolidated balance sheet as at 31 March 2007.

	£m
Book value of net assets acquired	3.7
Fair value adjustments	5.8
Goodwill	4.8
Consideration satisfied by cash	14.3

The attributed fair values are provisional. Fair value adjustments were made to the value of the acquired estate of £9.6m and deferred tax thereon of £(3.8)m. The valuation of the estate was carried out by independent chartered surveyors Brownill Vickers & Platts on an open market value basis.

The net cash outflow in respect of the acquisition of Sovereign Inns was:

	£m
Acquisition of equity	
Cash	14.3
Net cash held by subsidiary	(0.3)
	14.0
Acquisition of debt	
Immediate repayment of subsidiary's debt	5.6
Net cash outflow in respect of the acquisition	19.6

The purchase agreement for Sovereign Inns required the immediate repayment of certain borrowings, which were included in its balance sheet at the date of acquisition. The debt repayments have therefore been classified as part of the overall consideration for the acquisition of Sovereign Inns.

9 Prior period acquisitions

On 17 March 2006 the Group acquired Celtic Inns Holdings Limited. The fair value adjustments stated in the accounts for the 52 weeks ended 30 September 2006 are now confirmed with no adjustments made to those previously published.

On 6 July 2006 the Group acquired Bluu Limited. An additional £0.1m of acquired liabilities have been identified during the period to 31 March 2007 and recorded as a fair value adjustment.

10 Working capital and non-cash movements

	31 March 2007 £m	1 April 2006 £m	30 September 2006 £m
Income from non-current assets	**(0.3)**	(0.2)	(0.4)
Difference between defined benefit pension contributions paid and amounts charged	**1.1**	-	(10.5)
(Increase)/decrease in inventories	**(1.2)**	(1.0)	1.0
(Increase)/decrease in trade and other receivables	**(1.3)**	3.0	1.4
(Decrease)/increase in trade and other payables	**(17.1)**	2.4	11.4
Profit on disposal of property, plant and equipment	**(1.7)**	(0.8)	(5.1)
Impairment of properties prior to transfer to assets held for sale	**0.3**	-	3.8
Share based payments	**0.6**	0.6	1.0
Working capital and non-cash movements	**(19.6)**	4.0	2.6

11 Analysis of net debt

	31 March 2007 £m	Cash flow £m	Non-cash flow £m	Acquisitions £m	30 September 2006 £m
Cash and cash equivalents					
Cash at bank and in hand	**36.8**	(3.0)	-	-	39.8
Bank overdraft	**(6.4)**	12.8	-	-	(19.2)
	30.4	9.8	-	-	20.6
Financial assets					
Available-for-sale investments	**-**	(31.8)	-	-	31.8
Other receivables	**2.1**	2.1	-	-	-
	2.1	(29.7)	-	-	31.8
Debt due within one year					
Loan notes	**(8.4)**	0.7	-	-	(9.1)
Bank loans	**(39.7)**	(40.2)	0.3	-	0.2
Securitised debt	**(10.8)**	5.7	(6.1)	-	(10.4)
Finance leases	**(0.1)**	0.1	(0.1)	-	(0.1)
	(59.0)	(33.7)	(5.9)	-	(19.4)
Debt due after one year					
Loan notes	**(2.1)**	-	-	(2.1)	-
Bank loans	**(330.5)**	(176.0)	(0.2)	-	(154.3)
Securitised debt	**(766.6)**	-	5.5	-	(772.1)
Finance leases	**(0.1)**	-	0.1	-	(0.2)
Loan stock	**(0.1)**	-	-	(0.1)	-
Debentures	**(19.7)**	-	0.1	(19.8)	-
Preference shares	**(0.1)**	-	-	-	(0.1)
	(1,119.2)	(176.0)	5.5	(22.0)	(926.7)
	(1,145.7)	(229.6)	(0.4)	(22.0)	(893.7)

Available-for-sale investments represent the Group's holding in a short-term investment fund from which cash can be withdrawn on demand and without penalty, and therefore it has been classified within net debt. Other receivables represent cash collateralised in respect of the acquired loan notes.

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

NOTES

12 Movements in total equity

	31 March 2007 £m	As restated 1 April 2006 £m	30 September 2006 £m
Total equity at beginning of the period	**653.2**	650.8	650.8
Effect of adoption of IAS 32 and IAS 39 on 2 October 2005	**-**	(10.6)	(10.6)
Restated total equity at beginning of the period	**653.2**	640.2	640.2
Total recognised income for the period	**35.2**	25.3	62.2
Dividends paid	**(21.5)**	(19.8)	(31.0)
Proceeds of ordinary share capital issued	**0.3**	1.3	2.6
Sale of own shares from share trust	**-**	0.8	0.9
Purchase of own shares held as treasury shares	**(40.2)**	-	(14.8)
Purchase of own shares by share trust	**-**	(4.6)	(6.6)
Share based payments	**1.6**	0.8	1.7
Equity minority interests	**-**	(2.0)	(2.0)
Net movement in total equity	**(24.6)**	1.8	13.0
Total equity at end of the period	**628.6**	642.0	653.2

13 Events after the balance sheet date

An interim dividend of £12.9m, being 4.36p (2006: 3.63p) per ordinary share, has been proposed and will be paid on 29 June 2007 to those shareholders on the register at the close of business on 8 June 2007. This interim financial information does not reflect this dividend payable.

On 10 May 2007 the Group sold 279 tenanted pubs to Piccadilly Licensed Properties Limited for a cash consideration of £82.5m, generating no profit or loss on disposal after the recognition of associated selling costs.

14 Interim report

The interim report was approved by the Board on 25 May 2007.

15 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, Wolverhampton, WV1 4JT.