

HALF-YEARLY REPORT 2009

Marshalls

Financial Highlights

	Half year ended 30 June 2009	Half year ended 30 June 2008
Results before works closure costs:		
Revenue	£166.0m	£211.1m
Operating profit	£11.3m	£26.8m
Profit before tax	£9.0m	£22.7m
Basic EPS*	4.41p	10.51p
Interim dividend per share*	1.75p	4.07p
Reported results:		
Operating profit	£6.3m	£26.8m
Profit before tax	£4.0m	£22.7m
Basic EPS*	2.19p	10.51p

* EPS and dividend per share have been adjusted to reflect the bonus element of the Rights Issue.

Current priorities:

- Continuing emphasis on cost reduction and cash management
- Maximising short term performance by focussing on sales opportunities
- Maintaining significant operational flexibility in order to meet future demand
- Focussing on innovation and growth opportunities for the medium term

Key actions taken in 2009:

- Successful completion of £34m (net of expenses) Rights Issue
- Closure of manufacturing site at Llay in North Wales and other temporary shift reductions
- Cash release from stock ahead of plan
- Reduced capital expenditure in line with plan
- Net debt reduced to £73m following operational action taken and Rights Issue with gearing at 38%

Interim Management Report

Group Results

Marshalls' revenue for the half year ended 30 June 2009 was £166.0 million (2008: £211.1 million), from two fewer working days compared with the same period in 2008. Underlying daily sales revenue on a like for like basis was down 19 per cent against a comparatively strong first half in 2008.

EBITDA was £21.5 million (2008: £38.1 million) before works closure costs. Operating profit, before works closure costs, was £11.3 million (2008: £26.8 million). After works closure costs of £5.0 million (2008: Nil), reported operating profit was £6.3 million (2008: £26.8 million).

The works closure costs of £5.0 million relate to the closure of the manufacturing works at Llay in North Wales, with approximately £3 million comprising non-cash asset write offs and £2 million representing cash costs.

Net financial expenses were £2.3 million (2008: £4.1 million) and, before works closure costs, interest cover was 5.0 times (2008: 6.6 times). The effective tax rate, before works closure costs, reduced to 20.4 per cent (2008: 27.6 per cent).

After adjusting for the bonus factor in the Rights Issue, basic earnings per share, before works closure costs, was 4.41 pence (2008: 10.51 pence) per share.

The interim dividend will be 1.75 pence (2008: 4.07 pence) per share both reflecting the bonus element of the Rights Issue.

Operating Performance

Like for like sales to the Public Sector and Commercial market were 21 per cent behind the comparative period in 2008. The Public Sector and Commercial market continues to be challenging although the lead indicators predict a levelling out during the final quarter of the year. Although we expect the commercial and industrial market to remain challenging there is still work available and we are confident in our processes for securing work in these markets. The Olympics are now also gathering momentum and Marshalls is already supplying products for the surrounding infrastructure with the volume of orders, specifications and quotations continuing to increase.

In the Public Sector and Commercial market the Group's strategy continues to be to reinforce its position as a market leading landscape products specialist. Marshalls has experienced technical and sales teams focussed on the key growth areas which enables the provision of a full range of integrated products and sustainable solutions to customers, architects and contractors.

Like for like sales to the Domestic market were 16 per cent down compared with 2008. Installer order books at the end of June 2009 remained at 7.1 weeks, unchanged from the position at April 2009 (June 2008: 8.2 weeks). Consumer confidence is low although showing some signs of recovery. In tough economic conditions there is a tendency for consumers to complete more DIY projects and this market is stabilising. The market for installed patios and driveways, which is the Group's largest market area, is more robust with the trends suggesting a shift towards the "Don't Move, Improve" category and greater resilience to the economic downturn in the "Do It For Me" sector.

The Group's sustainability credentials are a competitive advantage and are an increasingly important factor in generating new orders. New product innovation includes products specifically developed to meet environmental needs including the Priora permeable paving range which is a sustainable urban drainage system engineered for both commercial and domestic applications and Noxer paving, a hard landscaping solution which helps to remove nitrogen oxide from the atmosphere. The Group has also won awards for its approach to sustainability. Business in the Community Awards for Excellence were gained in each of the Climate Change, Eco-efficiency and Supply Chain categories and the Group also received a "Highly Commended" Marketing Society Award for Excellence in Ethical Marketing.

The operating profit margin has fallen from 12.7 per cent to 6.8 per cent due to the impact of the Group's operational gearing from significantly lower production volumes due to lower sales and stock reductions. The Group has closed four manufacturing sites in the last twelve months including, most recently, Llay in North Wales. These actions are expected to reduce fixed costs by approximately £8 million in a full year and improve operational efficiency going forward. There have been a wide range of measures to reduce costs in all parts of the business, including a full salary freeze. As part of our contingency planning a temporary "lay off" plan has been prepared and communicated and this would, if required, create greater operational flexibility whilst significantly reducing the need for further redundancies. The Group has, however, retained significant operational and manufacturing flexibility and capability which will enable it to increase output quickly, utilising this latent capacity, once demand recovers. The Group's manufacturing plants are efficient and well invested and this operational flexibility can be achieved without significant further investment.

Balance Sheet and Cash Flow

Net assets at 30 June 2009 were £193.3 million (June 2008: £203.4 million).

At 30 June 2009 net debt was £73.5 million (June 2008: £97.9 million) resulting in gearing of 38.0 per cent (June 2008: 48.1 per cent). The recent Rights Issue raised approximately £34.0 million (net of expenses) and net debt is expected to reduce further in the second half of 2009 as the impact of management action continues to take effect.

In the first half of 2009 the Group has reduced investment in capital expenditure to £4.5 million (June 2008: £12.9 million) and the stock reduction programme has led to a reduction in inventory by £6.1 million to £83.7 million (December 2008: £89.8 million). The Group continues to focus on credit control and the maintenance of credit insurance for trade receivables.

The Group has recently renewed its short term working capital facilities and a small committed facility that was due to expire later in 2009. The Group continues to have significant committed facilities in place with a positive spread of medium term maturities and with the majority of facilities not maturing until 2011 or later. The Rights Issue has created a more conservative capital structure for the medium term, providing greater financial flexibility to take advantage of selective growth and investment opportunities in the future.

The balance sheet includes the defined benefit pension obligation of £31.4 million at 30 June 2009 (December 2008: £16.5 million surplus; June 2008: £13.2 million deficit). This balance is made up of £194.0 million (December 2008: £167.3 million) in respect of the present value of the Scheme obligations and of £162.6 million (December 2008: £183.8 million) in respect of the fair value of the Scheme assets. The deficit has been determined by the Scheme Actuary using assumptions that are considered to be prudent and in line with current market levels. The assumptions that have changed in the last six months are a reduction in the AA corporate bond rate from 6.7 per cent to 6.2 per cent, in line with market movements, and an increase in the expected rate of inflation from 2.75 per cent to 3.0 per cent.

Dividend

The Board has declared an interim dividend of 1.75 pence (June 2008: 4.07 pence) per share which reflects an adjustment for the bonus element of the Rights Issue. This dividend will be paid on 2 December 2009 to shareholders on the register at the close of business on 30 October 2009. The ex-dividend date will be 28 October 2009.

Outlook

Markets continue to remain volatile with no clear pattern emerging. In the Public Sector and Commercial market the short term outlook continues to be challenging although lead indicators predict a levelling out during the final quarter. The Construction Products Association forecast, for the Group's target market, is for a reduction in activity of 5.5 per cent in 2010. The Domestic market appears to have stabilised with installer order books holding at 7.1 weeks in line with the April 2009 position. The decisive actions that have been taken during the last twelve months have significantly reduced the Group's costs. In addition, inventory reduction and cash generation are both ahead of plan.

The Group continues to balance short term performance with the need to retain its market leading operational capability and innovation investment for the medium term. As a focussed UK Building Materials Group, Marshalls holds a leading position in its core markets, with a strong brand, an efficient manufacturing and sourcing infrastructure and an extensive national logistics network. All these factors will help Marshalls to emerge from the current market difficulties in a stronger competitive position.

Graham Holden
Chief Executive

Condensed Consolidated Half-yearly Income Statement

for the half year ended 30 June 2009

	Notes	**Half year ended June 2009**			Half year ended June 2008	Year ended December 2008		
		Before works closure costs £'000	**Works closure costs £'000**	**Total £'000**	Total £'000	Before works closure costs and asset impairments £'000	Works closure costs and asset impairments £'000	Total £'000
Revenue	2	**166,023**	**-**	**166,023**	211,082	378,063	-	378,063
Net operating costs	3	**(154,711)**	**(5,022)**	**(159,733)**	(184,298)	(347,447)	(26,989)	(374,436)
Operating profit	2	**11,312**	**(5,022)**	**6,290**	26,784	30,616	(26,989)	3,627
Financial expenses	5	**(7,783)**	**-**	**(7,783)**	(9,747)	(19,627)	-	(19,627)
Financial income	5	**5,501**	**-**	**5,501**	5,661	11,473	-	11,473
Profit/(loss) before tax	2	**9,030**	**(5,022)**	**4,008**	22,698	22,462	(26,989)	(4,527)
Income tax expense	6	**(1,842)**	**1,406**	**(436)**	(6,266)	(6,250)	4,556	(1,694)
Profit/(loss) for the financial period attributable to equity shareholders of the parent		**7,188**	**(3,616)**	**3,572**	16,432	16,212	(22,433)	(6,221)
Earnings per share:								
Basic (restated)	7	**4.41p**		**2.19p**	10.51p	10.38p		(3.98)p
Diluted (restated)	7	**4.30p**		**2.14p**	10.41p	10.26p		(3.98)p
Dividend:								
Pence per share (restated)	8			**1.30p**	8.31p			12.38p
Dividends declared	8			**2,029**	13,009			19,374

Condensed Consolidated Half-yearly Statement of Comprehensive Income

for the half year ended 30 June 2009

	Half year ended June 2009 £'000	Half year ended June 2008 £'000	Year ended December 2008 £'000
Profit/(loss) for the period	**3,572**	16,432	(6,221)
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	**185**	13	(167)
Defined benefit Scheme actuarial (loss)/gain	**(49,688)**	1,343	27,654
Deferred tax arising from other comprehensive income	**13,861**	(379)	(7,696)
Other comprehensive income for period, net of income tax	**(35,642)**	977	19,791
Total comprehensive income for the period (attributable to equity shareholders of the parent)	**(32,070)**	17,409	13,570

Condensed Consolidated Half-yearly Balance Sheet

as at 30 June 2009

	Notes		June	December
		2009	2008	2008
		£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment		**209,148**	210,487	216,888
Intangible assets		**41,259**	60,228	41,351
Investments in associates		**2,118**	1,497	2,113
Employee benefits	9	**-**	-	16,501
Deferred taxation assets		**9,146**	5,553	762
		261,671	277,765	277,615
Current assets				
Inventories		**83,725**	88,016	89,814
Trade and other receivables		**51,361**	65,788	32,225
Cash and cash equivalents		**38,358**	5	538
		173,444	153,809	122,577
Total assets		**435,115**	431,574	400,192
Liabilities				
Current liabilities				
Bank overdraft		**-**	17,544	-
Trade and other payables		**68,910**	79,769	61,780
Corporation tax		**4,802**	10,720	3,855
Interest bearing loans and borrowings		**23,393**	18,555	23,429
		97,105	126,588	89,064
Non-current liabilities				
Interest bearing loans and borrowings		**88,415**	61,808	88,439
Employee benefits	9	**31,393**	13,187	-
Deferred taxation liabilities		**24,913**	26,550	29,452
		144,721	101,545	117,891
Total liabilities		**241,826**	228,133	206,955
Net assets		**193,289**	203,441	193,237
Equity				
Capital and reserves attributable to equity shareholders of the parent				
Share capital	10	**49,845**	35,777	35,777
Share premium account		**22,695**	2,734	2,734
Own shares		**(9,472)**	(9,472)	(9,472)
Capital redemption reserve		**75,394**	75,394	75,394
Consolidation reserve		**(213,067)**	(213,067)	(213,067)
Hedging reserve		**9**	6	(124)
Retained earnings		**267,885**	312,069	301,995
Equity shareholders' funds		**193,289**	203,441	193,237

Condensed Consolidated Half-yearly Cash Flow Statement

for the half year ended 30 June 2009

	Notes	Half year ended June 2009 £'000	Half year ended June 2008 £'000	Year ended December 2008 £'000
Net cash flow from operating activities	11	**6,891**	2,732	21,878
Net cash flow from investing activities	11	**(4,220)**	(3,102)	(16,302)
Net cash flow from financing activities	11	**35,149**	10,652	22,783
Net increase in cash and cash equivalents		**37,820**	10,282	28,359
Cash and cash equivalents at beginning of period		**538**	(27,821)	(27,821)
Cash and cash equivalents at end of period		**38,358**	(17,539)	538

Reconciliation of Net Cash Flow to Movement in Net Debt

	Notes	2009 £'000	2008 £'000	2008 £'000
Net increase in cash and cash equivalents		**37,820**	10,282	28,359
Cash outflow/(inflow) from increase/(decrease) in debt and lease financing		**60**	(11,258)	(42,763)
Movement in net debt in the period		**37,880**	(976)	(14,404)
Net debt at beginning of the period		**(111,330)**	(96,926)	(96,926)
Net debt at the end of the period	12	**(73,450)**	(97,902)	(111,330)

Condensed Consolidated Half-yearly Statement of Changes in Equity

for the half year ended 30 June 2009

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolidation reserve £'000	Hedging reserve £'000	Retained earnings £'000
Current Half-yearly period							
At 1 January 2009	**35,777**	**2,734**	**(9,472)**	**75,394**	**(213,067)**	**(124)**	**301,995**
Share based expenses	**-**	**-**	**-**	**-**	**-**	**-**	**122**
Shares issued	**14,068**	**22,520**	**-**	**-**	**-**	**-**	**-**
Share issue costs	**-**	**(2,559)**	**-**	**-**	**-**	**-**	**-**
Profit for the financial period attributable to equity shareholders of the parent	**-**	**-**	**-**	**-**	**-**	**-**	**3,572**
Dividends to shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(2,029)**
Actuarial loss on defined benefit pension scheme	**-**	**-**	**-**	**-**	**-**	**-**	**(49,688)**
Decrease in fair value of hedging derivatives	**-**	**-**	**-**	**-**	**-**	**185**	**-**
Deferred taxation arising	**-**	**-**	**-**	**-**	**-**	**(52)**	**13,913**
Total movements in the period	**14,068**	**19,961**	**-**	**-**	**-**	**133**	**(34,110)**
At 30 June 2009	**49,845**	**22,695**	**(9,472)**	**75,394**	**(213,067)**	**9**	**267,885**

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolidation reserve £'000	Hedging reserve £'000	Retained earnings £'000
Prior Half-yearly period							
At 1 January 2008	35,777	2,734	(8,866)	75,394	(213,067)	(3)	308,672
Purchase of own shares	-	-	(606)	-	-	-	-
Share based expenses	-	-	-	-	-	-	(994)
Profit for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	16,432
Dividends to shareholders	-	-	-	-	-	-	(13,009)
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	-	1,343
Decrease in fair value of hedging derivatives	-	-	-	-	-	13	-
Deferred taxation arising	-	-	-	-	-	(4)	(375)
Total movements in the period	-	-	(606)	-	-	9	3,397
At 30 June 2008	35,777	2,734	(9,472)	75,394	(213,067)	6	312,069

Condensed Consolidated Half-yearly Statement of Changes in Equity (continued)

for the half year ended 30 June 2009

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolid-ation reserve £'000	Hedging reserve £'000	Retained earnings £'000
Prior year							
At 1 January 2008	35,777	2,734	(8,866)	75,394	(213,067)	(3)	308,672
Purchase of own shares	-	-	(606)	-	-	-	-
Share based expenses	-	-	-	-	-	-	(994)
Loss for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	(6,221)
Dividends to shareholders	-	-	-	-	-	-	(19,374)
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	-	27,654
Increase in fair value of hedging derivatives	-	-	-	-	-	(167)	-
Deferred taxation arising	-	-	-	-	-	46	(7,742)
Total movements in the period	-	-	(606)	-	-	(121)	(6,677)
At 31 December 2008	35,777	2,734	(9,472)	75,394	(213,067)	(124)	301,995

Notes to the Condensed Consolidated Half-yearly Financial Statements

1. Basis of preparation

Marshalls plc (the "Company") is a company domiciled in the United Kingdom. The Condensed Consolidated Half-yearly Financial Statements of the Company for the half year ended 30 June 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

The Condensed Consolidated Half-yearly Financial Statements have been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority and the requirements of IAS 34 "Interim Financial Reporting" as adopted by the European Union ("EU").

The Condensed Consolidated Half-yearly Financial Statements do not constitute financial statements and do not include all the information and disclosures required for full annual financial statements. The Condensed Consolidated Half-yearly Financial Statements were approved by the Board on 28 August 2009.

The financial information contained in the Condensed Consolidated Half-yearly Financial Statements in respect of the year ended 31 December 2008 has been extracted from the 2008 Annual Report which has been filed with the Registrar of Companies. The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The auditors have reported on those Financial Statements; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The Condensed Consolidated Half-yearly Financial Statements have been prepared applying the accounting policies and presentation that were applied in the Company's published Consolidated Financial Statements for the year ended 31 December 2008. The accounting policies are included on the Company's website and have been applied consistently throughout the Group for the purposes of these Condensed Consolidated Half-yearly Financial Statements.

1. **Basis of preparation (continued)**

The following published accounting standards have become effective from 1 January 2009:

- IFRS 8 - *"Operating Segments"* - Financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources. Further information relating to the Group's operating segments is included in Note 2.

- IFRIC 14 - *"The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"* - This clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements ("MFR") on such assets. It also addresses when a MFR might give rise to a liability. IFRIC14 is mandatory for the Group's 2009 Financial Statements with retrospective application required. The Group does not expect this to impact on the Financial Statements as the Group has an unconditional right to a surplus.

- Revised IAS 23 *"Borrowing Costs"*. The Group does not expect this to impact on the Financial Statements.

- Revised IAS 1 *"Presentation of Financial Statements"*. This has given rise to certain presentational changes to the Financial Statements.

- Amendments on IFRS 2 *"Share Based Payment - Vesting Conditions and Cancellations"*. The Group does not expect this to impact on the Financial Statements.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing these Condensed Consolidated Half-yearly Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements of the Group for the year ended 31 December 2008.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Details of the Group's funding position are set out in Note 13 and are subject to normal covenant arrangements. The Group's on-demand overdraft facility is reviewed on an annual basis and the current arrangements were renewed and signed on 25 August 2009. The Group's performance is dependent on economic and market conditions, the outlook for which is uncertain and difficult to predict. The Group has taken decisive action both to raise additional funds through a Rights Issue and to align its operational capacity with expected market conditions. Based on current expectations, the Group's cash forecasts meet half-year and year end bank covenants and there is adequate headroom which is not dependent on facility renewals. The Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Consolidated Half-yearly Financial Statements.

2. **Segmental analysis**

	Revenue		
	Half year ended June		Year ended December
	2009	2008	2008
	£'000	£'000	£'000
Continuing operations	**166,023**	211,082	378,063

Notes to the Condensed Consolidated Half-yearly Financial Statements (continued)

2. Segmental analysis (continued)

	Operating profit (before works closure costs and asset impairments)			**Operating profit**		
	Half year ended June		Year ended December	Half year ended June		Year ended December
	2009	2008	2008	**2009**	2008	2008
	£'000	£'000	£'000	**£'000**	£'000	£'000
Continuing operations	**11,312**	26,784	30,616	**6,290**	26,784	3,627
Financial income and expenses (net)				**(2,282)**	(4,086)	(8,154)
Profit before tax				**4,008**	22,698	(4,527)

Geographical destination of revenue:

	Half year ended June		Year ended December
	2009	2008	2008
	£'000	£'000	£'000
United Kingdom	**164,041**	210,161	374,830
Rest of the world	**1,982**	921	3,233
	166,023	211,082	378,063

All revenue originates in the United Kingdom from continuing operations and there is no material inter-segmental turnover.

The Group's revenue is subject to seasonal fluctuations resulting from demand from customers. In particular, demand is higher in the summer months. The Group manages the seasonal impact through the use of a seasonal working capital facility to build up inventories to meet demand and at the half year end this typically leads to higher inventory and trade receivable levels.

3. Net operating costs

	Half year ended June 2009 £'000	2008 £'000	Year ended December 2008 £'000
Raw materials and consumables	**46,242**	70,033	124,366
Changes in inventories of finished goods and work in progress	**6,586**	(4,663)	(8,487)
Personnel costs	**42,215**	48,230	91,986
Depreciation - owned	**9,804**	10,779	21,168
- leased	**162**	275	270
Own work capitalised	**(1,133)**	(1,185)	(2,132)
Manufacturing overheads	**50,396**	60,406	117,429
Amortisation of intangible assets	**199**	291	841
Restructuring costs	**-**	303	-
Strategic business initiatives: Landscape Installations	**-**	2,146	4,099
Strategic business initiatives: Commercial Expansion	**-**	500	1,371
Share of results of associates	**(5)**	20	69
Operating costs	**154,466**	187,135	350,980
Other operating income	**142**	(666)	(1,304)
Net loss/(profit) on asset and property disposals	**103**	(2,171)	(2,229)
Net operating costs before works closure costs and asset impairments	**154,711**	184,298	347,447
Works closure costs and asset impairments (Note 4)	**5,022**	-	26,989
Net operating costs	**159,733**	184,298	374,436

4. Works closure costs and asset impairments

	Half year ended June 2009 £'000	2008 £'000	Year ended December 2008 £'000
Works closure costs	**5,022**	-	17,677
Asset impairments	**-**	-	9,312
	5,022	-	26,989

The Board has determined that certain changes to the Consolidated Half-yearly Statement of Comprehensive Income should be separately identified for better understanding of the Group's results for the half year ended 30 June 2009.

In the half year ended 30 June 2009, works closure costs reflect the impact of capacity reductions and the closure of the concrete manufacturing operations at Llay. In the year ended 31 December 2008 works closure costs included the closure of concrete manufacturing operations at Cannock, Sawley and Hambrook and the cost of reducing the design, managed installations and Display Centre part of the Group's Consumer Initiatives.

Notes to the Condensed Consolidated Half-yearly Financial Statements (continued)

5. Financial expenses and income

	Half year ended June 2009 £'000	Half year ended June 2008 £'000	Year ended December 2008 £'000
(a) Financial expenses			
Interest expense on bank loans, overdrafts and loan notes	**1,143**	3,013	6,219
Interest on obligations under the defined benefit Pension Scheme	**5,495**	5,580	11,106
Debenture interest expense	**1,137**	1,137	2,275
Finance lease interest expense	**8**	17	27
	7,783	9,747	19,627
(b) Financial income			
Expected return on Scheme assets under the defined benefit Pension Scheme	**5,439**	5,545	11,148
Interest receivable and similar income	**62**	116	325
	5,501	5,661	11,473

6. Income tax expense

	Half year ended June 2009 Before works closure costs £'000	**Half year ended June 2009** Works closure costs £'000	**Half year ended June 2009** Total £'000	Half year ended June 2008 Total £'000	Year ended December 2008 Before works closure costs and asset impairments £'000	Year ended December 2008 Works closure costs and asset impairments £'000	Year ended December 2008 Total £'000
Current tax expense							
Current year	**1,637**	**(672)**	**965**	5,420	3,083	(2,005)	1,078
Adjustments for prior years	**(1,460)**	**-**	**(1,460)**	(640)	(1,241)	-	(1,241)
	177	**(672)**	**(495)**	4,780	1,842	(2,005)	(163)
Deferred taxation expense							
Origination and reversal of temporary differences:							
Current year	**1,665**	**(734)**	**931**	1,486	4,655	(2,551)	2,104
Adjustments for prior years	**-**	**-**	**-**	-	(247)	-	(247)
Income tax expense in the Consolidated Income Statement	**1,842**	**(1,406)**	**436**	6,266	6,250	(4,556)	1,694

6. Income tax expense (continued)

	Half year ended June 2009		Half year ended June 2008		Year ended December 2008	
	%	**£'000**	%	£'000	%	£'000
Reconciliation of effective tax rate						
Profit/(loss) before tax	**100.0**	**4,008**	100.0	22,698	100.0	(4,527)
Tax using domestic corporation tax rate	**28.0**	**1,122**	28.0	6,355	28.0	(1,267)
Disallowed amortisation/impairment of intangible assets	**4.1**	**166**	0.3	79	(61.2)	2,771
Net items not taxable	**15.2**	**608**	2.1	472	(37.1)	1,678
Adjustments for prior years	**(36.4)**	**(1,460)**	(2.8)	(640)	32.9	(1,488)
	10.9	**436**	27.6	6,266	(37.4)	1,694

7. Earnings per share

Basic earnings per share of 2.19 pence (30 June 2008: 10.51 pence) (31 December 2008: (loss) 3.98 pence) per share is calculated by dividing the profit attributable to ordinary shareholders from total operations of £3,572,000 (30 June 2008: £16,432,000) (31 December 2008: £6,221,000 loss) by the theoretical ex-rights weighted average number of shares in issue during the period of 163,110,477 (30 June 2008: 156,308,106) (31 December 2008: 156,190,540).

Basic earnings per share before works closure and asset impairments of 4.41 pence (30 June 2008: 10.51 pence) (31 December 2008: 10.38 pence) per share is calculated by dividing the profit before works closure costs and asset impairments of £7,188,000 (30 June 2008: £16,432,000) (31 December 2008: £16,212,000) by the theoretical ex-rights weighted average number of shares in issue during the year of 163,110,477 (30 June 2008: 156,308,106) (31 December 2008: 156,190,540).

Profit attributable to ordinary shareholders

	Half year ended June		Year ended December
	2009	2008	2008
	£'000	£'000	£'000
Profit attributable to ordinary shareholders before works closure costs and asset impairments	**7,188**	16,432	16,212
Works closure costs and asset impairments (net of taxation)	**(3,616)**	-	(22,433)
Profit/(loss) attributable to ordinary shareholders	**3,572**	16,432	(6,221)

Notes to the Condensed Consolidated Half-yearly Financial Statements (continued)

7. Earnings per share (continued)

Weighted average number of ordinary shares

	Half year ended June		Year ended December
	2009	2008	2008
	Number	Number	Number
Number of issued ordinary shares	**143,106,254**	143,106,254	143,106,254
Weighted average number of Rights Issue shares	**23,568,818**	16,568,659	16,556,197
Effect of shares transferred into employee benefit trust	**(1,139,595)**	(941,807)	(1,046,911)
Effect of treasury shares	**(2,425,000)**	(2,425,000)	(2,425,000)
Weighted average number of ordinary shares at end of period	**163,110,477**	156,308,106	156,190,540

Diluted earnings per share of 2.14 pence (30 June 2008: 10.41 pence) per share is calculated by dividing the profit attributable to ordinary shares and potentially dilutive ordinary shares of £3,572,000 (30 June 2008: £16,432,000) by the theoretical ex-rights weighted average number of shares in issue during the period of 163,110,477 (30 June 2008: 156,308,106) plus potentially dilutive shares of 3,912,520 (30 June 2008: 1,564,094) which totals 167,022,997 (30 June 2008: 157,872,200).

Diluted earnings per share before works closure costs and asset impairments of 4.30 pence (30 June 2008: 10.41 pence) (31 December 2008: 10.26 pence) per share is calculated by dividing the profit attributable to ordinary shares and potentially dilutive ordinary shares of £7,188,000 (30 June 2008: £16,432,000) (31 December 2008: £16,212,000) by the theoretical ex-rights weighted average number of shares in issue during the period of 163,110,447 (30 June 2008: 156,308,106) (31 December 2008: 156,190,540) plus potentially dilutive shares of 3,912,520 (30 June 2008: 1,564,094) (31 December 2008: 1,844,712) which totals 167,022,997 (30 June 2008: 157,872,200) (31 December 2008: 158,035,252).

Weighted average number of ordinary shares (diluted)

	Half year ended June		Year ended December
	2009	2008	2008
	£'000	£'00	£'000
Weighted average number of ordinary shares	**163,110,477**	156,308,106	156,190,540
Effect of shares transferred into employee benefit trust	**1,250,826**	1,053,475	1,171,041
Effect of treasury shares	**2,661,694**	510,619	673,671
Weighted average number of ordinary shares (diluted)	**167,022,997**	157,872,200	158,035,252

8. Dividends

After the balance sheet date, the following dividends were proposed by the Directors. The dividends have not been provided and there were no income tax consequences.

	Pence per qualifying share (restated)*	Pence per qualifying share (original)	Half year ended June 2009 £'000	2008 £'000	Year ended December 2008 £'000
2009 interim	1.75	-	**3,447**	-	-
2008 final	1.30	1.45	**-**	-	2,029
2008 interim	4.07	4.55	**-**	6,365	-
			3,447	6,365	2,029

The following dividends were declared and paid by the Company or approved by the shareholders at the Annual General Meeting in the period.

	Pence per qualifying share (restated)*	Pence per qualifying share (original)	Half year ended June 2009 £'000	2008 £'000	Year ended December 2008 £'000
2008 final	1.30	1.45	**2,029**	-	-
2008 interim	4.07	4.55	**-**	-	6,365
2007 final	8.31	9.30	**-**	13,009	13,009
			2,029	13,009	19,374

The 2008 final dividend of 1.30 pence per qualifying ordinary share, total value £2,029,000, was paid on 3 July 2009 to shareholders registered at the close of business on 5 June 2009.

* Prior period dividends per share have been adjusted by the "bonus factor" inherent in the Rights Issue disclosed in Note 10.

9. Employee benefits

The Group operates the Marshalls plc Pension Scheme (the "Scheme") which has both a defined benefit and a defined contribution section. The assets of the Scheme are held in separately managed funds which are independent of the Group's finances. The defined benefit section of the Scheme is now closed to new members and future service accrual. Pension contributions, for both the employer and the employee, are made into the defined contribution section of the Scheme.

	June 2009 £'000	2008 £'000	December 2008 £'000
Present value of funded obligations	**(194,022)**	(185,738)	(167,312)
Fair value of Scheme assets	**162,629**	172,551	183,813
(Net liability)/surplus in the Scheme for defined benefit obligations (see below)	**(31,393)**	(13,187)	16,501
Experience adjustments on Scheme liabilities	**(24,825)**	11,212	31,184
Experience adjustments on Scheme assets	**(24,863)**	(9,869)	(3,530)

Notes to the Condensed Consolidated Half-yearly Financial Statements (continued)

9. Employee benefits (continued)

Movements in the net liability for defined benefit obligations recognised in the balance sheet

	June		December
	2009	2008	2008
	£'000	£'000	£'000
Net surplus in the Scheme/(liability) for defined benefit obligations at beginning of the period	**16,501**	(17,795)	(17,795)
Contributions received	**1,850**	3,300	6,600
(Loss)/gain recognised in the Consolidated Income Statement	**(56)**	(35)	42
Actuarial (loss)/gain recognised in the Consolidated Statement of Comprehensive Income	**(49,688)**	1,343	27,654
Net (liability)/surplus in the Scheme for the defined benefit obligations at period end	**(31,393)**	(13,187)	16,501

The actuarial loss of £49,688,000 in the half year ended 30 June 2009 is mainly due to the net effect of the reduction in the AA corporate bond rate from 6.7 per cent to 6.2 per cent and an increase in the inflation assumption. The fair value of Scheme assets has also fallen during the period.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	June		December
	2009	2008	2008
	£'000	£'000	£'000
Discount rate (AA corporate bond rate)	**6.2%**	6.7%	6.7%
Expected return on Scheme assets	**6.0%**	6.3%	6.0%
Future salary increases	**N/A**	N/A	N/A
Inflation	**3.0%**	3.8%	2.8%
Future pension increases	**3.0%**	3.8%	2.8%
Future expected lifetime of pensioner at age 65 (years):			
Male:	**20.4**	20.1	20.4
Female:	**23.4**	22.9	23.4

10. Share capital

A 2 for 5 Rights Issue of 56,272,501 new ordinary shares at a price of 65 pence per new ordinary share was approved by shareholders on 29 May 2009. Dealings in the new ordinary shares, fully paid, commenced on the London Stock Exchange on 16 June 2009. Net proceeds of the Rights Issue were £34.0 million, net of £2.6 million expenses. An amount of £19,961,000 has been credited to the share premium account in respect of this issue.

11. Notes to the cash flow statement

	Half year ended June 2009 £'000	Half year ended June 2008 £'000	Year ended December 2008 £'000
Cash flows from operating activities			
Profit/(loss) before tax	**4,008**	22,698	(4,527)
Adjustments for:			
Depreciation	**9,966**	11,054	21,438
Amortisation	**199**	291	841
Works closure costs and asset impairments	**5,022**	-	26,989
Share of results of associates	**(5)**	20	69
Gain on sale of property, plant & equipment	**(198)**	(2,679)	(2,705)
Equity settled share based expenses	**122**	(994)	(994)
Financial income and expenses (net)	**2,282**	4,086	8,154
Operating cashflow before changes in working capital and pension scheme contributions	**21,396**	34,476	49,265
(Increase)/decrease in trade and other receivables	**(19,136)**	(22,922)	10,924
Decrease/(increase) in inventories	**6,089**	(5,096)	(7,675)
Increase/(decrease) in trade and other payables	**5,187**	7,056	(5,227)
Works closure costs paid	**(3,967)**	-	(5,976)
Pension scheme contributions	**(1,850)**	(3,300)	(6,600)
Cash generated from the operations	**7,719**	10,214	34,711
Financial expenses paid	**(2,288)**	(4,714)	(8,095)
Income tax received/(paid)	**1,460**	(2,768)	(4,738)
Net cash flow from operating activities	**6,891**	2,732	21,878
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**246**	11,131	11,495
Financial income received	**62**	116	325
Acquisition of subsidiaries and investment in associates	**-**	(1,497)	(6,077)
Acquisition of property, plant and equipment	**(4,380)**	(12,480)	(21,242)
Acquisition of intangible assets	**(148)**	(372)	(803)
Net cash flow from investing activities	**(4,220)**	(3,102)	(16,302)
Cash flows from financing activities			
Proceeds from issue of share capital	**36,588**	-	-
Share issue costs paid	**(1,379)**	-	-
Payments to acquire own shares	**-**	(606)	(606)
Decrease in other debt and lease financing	**(60)**	(149)	(237)
Increase in borrowings	**-**	11,407	43,000
Equity dividends paid	**-**	-	(19,374)
Net cash flow from financing activities	**35,149**	10,652	22,783

Notes to the Condensed Consolidated Half-yearly Financial Statements (continued)

12. Analysis of net debt

	1 January 2009 £'000	Cash flow £'000	**30 June 2009 £'000**
Cash at bank and in hand	538	37,820	**38,358**
Debt due within one year	(23,327)	-	**(23,327)**
Debt due after one year	(88,400)	-	**(88,400)**
Finance leases	(141)	60	**(81)**
	(111,330)	37,880	**(73,450)**

13. Borrowing facilities

The total borrowing facilities at 30 June 2009 amounted to £206.7 million (2008: £176.7 million) of which £95.0 million (2008: £79.0 million) remained unutilised. This follows the receipt of £36.6 million (gross) from the proceeds of the Rights Issue.

These figures include an additional seasonal bank working capital facility of £20.0 million available between 1 February and 31 August.

The undrawn facilities available at 30 June 2009, in respect of which all conditions precedent had been met, were as follows:

	June	
	2009 £'000	2008 £'000
Committed		
- Expiring in more than two years but not more than five years	**50,000**	20,000
Uncommitted		
- Expiring in one year or less (with option to convert to committed)	**-**	31,593
- Expiring in one year or less	**45,000**	27,456
	95,000	79,049

The maturity profile of borrowing facilities is structured to provide balanced, committed and phased medium term debt and, following the renewal of certain bank facilities on 25 August 2009, is set out as follows:

	Facility £'000	Cumulative Facility £'000
Committed facilities:		
Q2: 2014 (Debenture)	20,000	20,000
Q1: 2013	50,000	70,000
Q4: 2012	25,000	95,000
Q3: 2011	48,400	143,400
Q3: 2010	20,000	163,400
On demand facilities:		
Available all year	25,000	188,400
Seasonal (February to August inclusive)	20,000	208,400

14. Principal risks and uncertainties

The principal risks and uncertainties which could impact on the Group for the remainder of the current financial year are those detailed on pages 22 to 23 of the 2008 Annual Report. These cover both Strategic Risks and Financial Risks and have not changed during the period.

Strategic risks include those relating to general economic conditions, government policy, the actions of customers, suppliers and competitors and also weather conditions. Other strategic risks include access to debt funding and uncertainty in financial markets. The Group also continues to be subject to various financial risks in relation to the Pension Scheme, principally the volatility of the discount (AA corporate bond) rate, any downturn in the performance of equities and increases in the longevity of members. The other main financial risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk. The Group continues to monitor all these risks and pursue policies that take account of, and mitigate, the risks where possible.

Shareholder Information

Financial calendar

Half-yearly results for the year ending December 2009	Announced	28 August 2009
Half-yearly dividend for the year ending December 2009	Payable	2 December 2009
Results for the year ending December 2009	Announcement	Early March 2010
Report and accounts for the year ending December 2009		April 2010
Annual General Meeting		May 2010
Final dividend for the year ending December 2009	Payable	July 2010

Registrars and general

All administrative enquiries relating to shareholdings should, in the first instance, be directed to Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH, telephone: 0870 702 0000, fax: 0870 703 6116 and clearly state the registered shareholder's name and address.

A copy of this report is being sent to those holders of listed securities of the Company who have requested a copy. A copy can be downloaded from the Group's website - www.marshalls.co.uk. Further copies are available for members of the public on application to the Company Secretary, Marshalls plc, Birkby Grange, Birkby Hall Road, Huddersfield HD2 2YA, telephone: 01484 438900, fax: 01484 438944.

Dividend mandate

Any shareholder wishing dividends to be paid directly into a bank or building society should contact the Registrar for a dividend mandate form. Dividends paid in this way will be paid through the Bankers Automated Clearing System (BACS).

Independent Review Report

Independent review report to Marshalls plc

Introduction

We have been engaged by the Company to review the Condensed Consolidated Half-yearly Financial Statements in the Half-yearly Report for the half year ended 30 June 2009 which comprises the Condensed Consolidated Half-yearly Income Statement, the Condensed Consolidated Half-yearly Statement of Comprehensive Income, the Condensed Consolidated Half-yearly Balance Sheet, the Condensed Consolidated Half-yearly Cash Flow Statement, the Condensed Consolidated Half-yearly Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the Half-yearly Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Condensed Half-yearly set of Financial Statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules (the "DTR") of the UK's Financial Services Authority (the "UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The Half-yearly Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-yearly Report in accordance with the DTR of the UK FSA.

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 Consolidated Half-yearly Financial Statements included in this Half-yearly Report has been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the Condensed Consolidated Half-yearly Financial Statements in the Half-yearly Report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditors of the Entity issued by the Auditing Practices Board for use in the UK. 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 Condensed Consolidated Half-yearly Financial Statements in the Half-yearly Report for the half-year ended 30 June 2009 are prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

RI Moffatt
For and on behalf of KPMG Audit Plc
Chartered Accountants
Leeds
28 August 2009

Responsibility Statement of the Directors

We confirm that to the best of our knowledge:

- the Condensed Consolidated Half-yearly Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union; and
- the Half-yearly management report includes a fair review of the information required by:

    (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the half year ended 30 June 2009 and their impact on the Condensed Consolidated Half-yearly Financial Statements and a description of the principal risks and uncertainties for the remaining second half of the year; and

    (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the half year ended 30 June 2009 and that have materially affected the financial position or performance of the enterprise during that period and any changes in the related party transactions described in the last Annual Report that could do so.

The Board

The Board of Directors that served during the half year ended 30 June 2009 and their respective responsibilities remain unchanged from the details that can be found on pages 24 and 36 of the 2008 Annual Report.

By order of the Board
Cathy Baxandall
Company Secretary
28 August 2009

Cautionary Statement

This Half-yearly Report contains certain forward looking statements with respect to the financial condition, results, operations and business of Marshalls plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements and forecasts. Nothing in this Half-yearly Report should be construed as a profit forecast.

Directors' Liability

Neither the Company nor the Directors accept any liability to any person in relation to this Half-yearly Report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A of the Financial Services and Markets Act 2000.

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