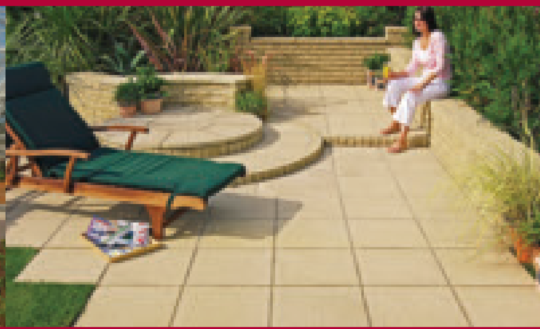




HALF-YEARLY REPORT 2008

Marshalls

Financial Highlights

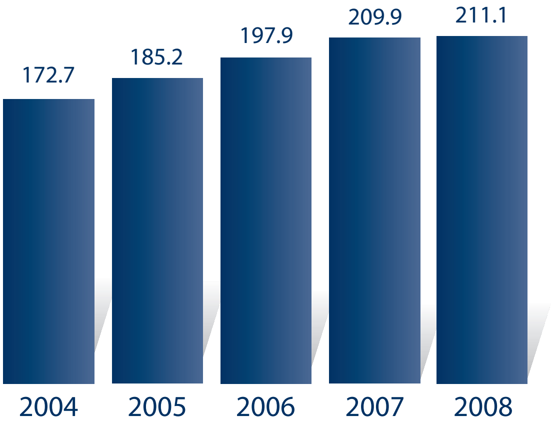
- Revenue up 0.6%
- EBITDA at £38.1m
- Operating profit at £26.8m
- Profit before tax at £22.7m
- EPS at 11.76p
- Interim dividend maintained at 4.55 pence per share

Business Highlights

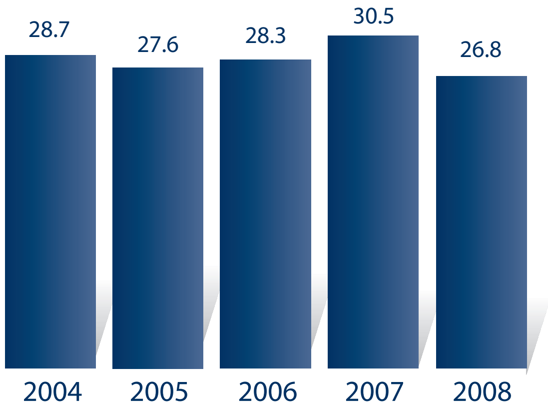
- Strategy adapted to focus on sales opportunities in growth markets, accelerating cost reductions and conserving cash to retain financial flexibility
- Focus on Public Sector and Commercial market which, at approaching 60 per cent of Group revenues, remains robust
- Smaller Domestic market is more challenging
- Accelerated closure of two manufacturing units which will reduce the fixed cost base by £3.5 million. One-off charge of £8.0 million expected in the second half, of which £3.5 million is cash
- Sale of surplus properties contributed £2.2 million to profit and realised £11.1 million in cash which has been applied to fund growth capital and investments

Financial Highlights

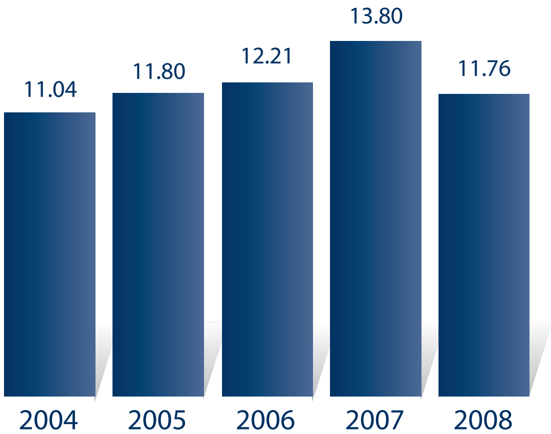
Revenue (£'m)



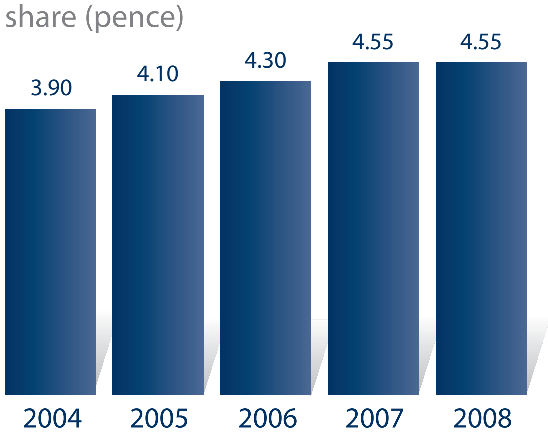
Operating profit (£'m)



Basic earnings per share (pence)



Interim dividend per ordinary share (pence)



Interim Management Report

Group Results

Marshalls' revenue for the half year ended 30 June 2008 was £211.1 million (2007: £209.9 million), an increase of 0.6 per cent. Like for like revenue was up 0.1 per cent with acquisitions contributing an additional £1.1 million.

EBITDA was £38.1 million (2007: £40.9 million). Operating profit for the period was £26.8 million (2007: £30.5 million) after the cost of strategic business initiatives expensed in the period of £2.7 million which was largely offset by a net profit of £2.2 million from the sale of surplus properties.

Net financial expenses were £4.1 million (2007: £3.1 million) and interest cover was 6.6 times (2007: 9.8 times). The effective tax rate was 27.6 per cent (2007: 28.0 per cent).

Basic earnings per share were 11.76 pence (2007: 13.80 pence) per share, down 14.8 per cent.

The interim dividend will remain unchanged at 4.55 pence (2007: 4.55 pence) per share. This is supported by good cash generation and our confidence in the business and its medium term prospects. Our dividend policy continues to be that dividends will move in line with medium term earnings.

Marshalls has continued to develop into a market leading customer focussed landscape products business. We supply our two markets from a unique network of modern, well invested regional manufacturing and distribution sites. The Marshalls brand is recognised for quality of product and sector leading customer service. We continually innovate in marketing, new products, materials technology and manufacturing techniques.

Our long term strategy is under constant review and remains unchanged. What has changed, in response to changed market conditions, is the method of implementation which has been adapted to focus on sales opportunities in growth markets, accelerating cost reductions and conserving cash to retain financial flexibility.

Operating Performance

Like for like sales to the Public Sector and Commercial market, which are approaching 60 per cent of Group revenues, were 9 per cent ahead while like for like sales to the smaller Domestic market were down by 10 per cent compared with 2007.

The underlying operating profit margin has fallen from 14.8 per cent to 12.9 per cent due mainly to the fall in volume but, in addition, we have not passed on the recent diesel cost increase as this happened after our last price increase, however, we expect to recover this from 2009. Since the half year end the market price of cement has risen, further inflating product cost, and again we will look to recover this from 2009.

The Public Sector and Commercial market has delivered good growth in the first half and lead indicators, which give 12 months' visibility, indicate that growth should continue. We continue to develop our integrated product offer by improving the range of innovative products and services we offer and this is delivering strong growth in street furniture, natural stone paving and sustainable urban drainage products.

In the Domestic market New Build is weak and DIY was affected by a difficult Easter but installed patios and driveways, which provide the majority of the volume, have been much more robust. The latest installer order books at the end of June were 8.2 weeks. However, the uncertainty in the Domestic market is continuing as the general economic picture deteriorates.

We continue to invest in the Marshalls brand with the marketing focus being to generate "pull through" demand, to develop our approved installer network and to improve product mix. We now have nine Display Centres open and our continued sponsorship of the Royal Horticultural Society's ("RHS") Chelsea Flower Show in May 2008 again proved very successful. In addition, our presence at the RHS Hampton Court and RHS Tatton Park flower shows has further increased brand awareness and public recognition of Marshalls' innovative and design-led products and services. Our Alton Greenhouse business was part of the Gold Medal winning team at the RHS Hampton Court Flower Show with its Victorian Style Cedar Greenhouse.

The Group continues to focus on sustainability and, as a member of the Ethical Trading Initiative, sources significant quantities of stone from India and China. The Group has recently been placed second in the Business in the Community's "John Lewis and Waitrose Supply Chain Award" for its "Indian Sandstone and the Ethical Supply Chain" entry.

Cost and Overhead Management

In these uncertain times we continue to improve productivity and to accelerate the reduction of our costs base. In July we announced the closure of two concrete manufacturing operations at Cannock and Sawley. These actions will enable the Group to reduce costs permanently and also to obtain a greater benefit from the previous investment in robotics and other productivity initiatives. There has been no charge in the half year to 30 June 2008 but we expect the full year charge to be approximately £8.0 million. This includes the non-cash write-off of plant and other related assets of £4.5 million together with a cash outflow of around £3.5 million in respect of redundancy payments, the cost of running down the site operations and relocating transferable plant. We anticipate this cash outflow to be recovered in less than one year and, if the cash released from the reduction of stock held at these sites is taken into account, the closures are expected to be cash neutral by the year end.

Corporate Activity

The investment that has been made in recent years, in both productivity improvements and acquisitions, has meant that the Group is well invested. In response to current market conditions in the first half of 2008 we have reduced investment in capital expenditure and investments to £14.4 million (2007: £25.4 million) and we will reduce capital expenditure further in 2009 and 2010 to improve net cash generation. We will continue to pursue growth investment and bolt-on acquisition opportunities where they will add long term value to the Group.

We have previously reported that we expect to realise cash of between £15 million and £20 million over the medium term from the sale of surplus assets. In the half year to 30 June 2008 we have realised £11.1 million and with the £3 million realised in 2007 the Group is well on track to achieve this objective.

During the first half of 2008, and since the period end, we have invested £2.1 million in further quarry reserves, acquiring interests in two Cotswold limestone quarries to give the Group access to additional long term supplies of blockstone for paving and walling products and increasing the range of stone colourways that can be offered to customers.

Balance Sheet

Net assets at 30 June 2008 were £203.4 million which represented 142.2 pence per share.

Inventory has increased by £5.1 million since 31 December 2007 and is largely due to inflationary factors in the cost of raw materials giving rise to £4.8 million of this increase.

At 30 June 2008 net debt was £97.9 million (2007: £73.5 million) with gearing of 48.1 per cent (2007: 36.8 per cent). This compares with the total facilities of £176.9 million at that date. The movement in net debt was broadly neutral in the period with the cash received from the sale of surplus properties and assets largely offsetting the normal first half working capital outflow.

Our balance sheet remains strong with modest gearing and interest strongly covered 6.6 times.

Dividend

The Board has declared an unchanged interim dividend of 4.55 pence (2007: 4.55 pence) per share. This dividend will be paid on 3 December 2008 to shareholders on the register at the close of business on 31 October 2008. The ex-dividend date will be 29 October 2008.

Outlook

Marshalls has an experienced management team which, in response to the difficult market environment, has moved swiftly to refocus the business and reduce the cost base. Our balance sheet is strong, our business is well invested and our brand recognition is high.

The Public Sector and Commercial market is robust with good visibility and we are applying our energies to the sales opportunities, whilst continuing to serve the quieter Domestic market.

There will continue to be uncertainty in the short term in the Domestic market. Overall sales in July and August 2008 were 5 per cent below 2007, however, we have taken decisive action to ensure that we emerge stronger when markets improve.

Graham Holden
Chief Executive

Condensed Consolidated Half-yearly Income Statement

for the half year ended 30 June 2008

	Notes	Half year ended June 2008 £'000	Half year ended June 2007 £'000	Year ended December 2007 £'000
Revenue	2	**211,082**	209,860	402,926
Net operating costs	3	**(184,298)**	(179,362)	(354,116)
Operating profit	2	**26,784**	30,498	48,810
Financial expenses	4	**(9,747)**	(8,390)	(17,596)
Financial income	4	**5,661**	5,279	10,889
Profit before tax	2	**22,698**	27,387	42,103
Income tax expense		**(6,266)**	(7,682)	(11,852)
Profit for the financial period attributable to equity shareholders of the parent		**16,432**	19,705	30,251
Earnings per share:				
Basic	5	**11.76p**	13.80p	21.28p
Diluted	5	**11.64p**	13.77p	21.19p
Dividend:				
Pence per share	6	**9.30p**	8.85p	13.40p
Dividends paid	6	**13,009**	12,653	19,098

Condensed Consolidated Half-yearly Balance Sheet

as at 30 June 2008

	Notes	June		December
		2008	2007	2007
		£'000	£'000	£'000
Assets				
Non-current assets				
Property, plant and equipment		**210,487**	213,003	209,313
Intangible assets		**60,228**	58,799	60,147
Investments in associates	7	**1,497**	-	-
Deferred taxation assets		**5,553**	10,136	7,055
		277,765	281,938	276,515
Current assets				
Inventories		**88,016**	74,738	82,920
Trade and other receivables		**65,788**	66,556	42,866
Cash and cash equivalents		**5**	67	19
Assets held for sale	8	**-**	-	8,199
		153,809	141,361	134,004
Total assets		**431,574**	423,299	410,519
Liabilities				
Current liabilities				
Bank overdraft		**17,544**	9,150	27,840
Trade and other payables		**79,769**	84,605	60,236
Corporation tax		**10,720**	12,228	8,710
Interest bearing loans and borrowings		**18,555**	14,165	7,234
		126,588	120,148	104,020
Non-current liabilities				
Interest bearing loans and borrowings		**61,808**	50,214	61,871
Employee benefits	9	**13,187**	28,163	17,795
Deferred taxation liabilities		**26,550**	25,334	26,192
		101,545	103,711	105,858
Total liabilities		**228,133**	223,859	209,878
Net assets		**203,441**	199,440	200,641
Equity				
Capital and reserves attributable to equity shareholders of the parent				
Share capital	10	**35,777**	35,777	35,777
Share premium account	10	**2,734**	2,734	2,734
Own shares	10	**(9,472)**	(2,280)	(8,866)
Capital redemption reserve	10	**75,394**	73,298	75,394
Consolidation reserve	10	**(213,067)**	(213,067)	(213,067)
Hedging reserve	10	**6**	(4)	(3)
Retained earnings	10	**312,069**	302,982	308,672
Equity shareholders' funds		**203,441**	199,440	200,641

Condensed Consolidated Half-yearly Cash Flow Statement

for the half year ended 30 June 2008

	Notes	Half year ended June		Year ended December
		2008	2007	2007
		£'000	£'000	£'000
Net cash flow from operating activities	11	**2,732**	7,123	27,666
Net cash flow from investing activities	11	**(3,102)**	(23,840)	(41,577)
Net cash flow from financing activities	11	**10,652**	8,611	(12,933)
Net increase / (decrease) in cash and cash equivalents		**10,282**	(8,106)	(26,844)
Cash and cash equivalents at beginning of period		**(27,821)**	(977)	(977)
Cash and cash equivalents at end of period		**(17,539)**	(9,083)	(27,821)

Reconciliation of Net Cash Flow to Movement in Net Debt

	Notes	2008	2007	2007
		£'000	£'000	£'000
Net increase / (decrease) in cash and cash equivalents		**10,282**	(8,106)	(26,844)
Cash inflow from increase in debt and lease financing		**(11,258)**	(10,164)	(14,890)
Finance leases acquired on acquisition of subsidiary undertakings		**-**	(586)	(586)
Movement in net debt in the period		**(976)**	(18,856)	(42,320)
Net debt at beginning of the period		**(96,926)**	(54,606)	(54,606)
Net debt at the end of the period	12	**(97,902)**	(73,462)	(96,926)

Condensed Consolidated Half-yearly Statement of Recognised Income and Expenses

	2008	2007	2007
	£'000	£'000	£'000
Cash flow hedges: Effective portion of changes in fair value (net of deferred taxation)	**9**	2	3
Actuarial gains (net of deferred taxation)	**968**	9,212	12,610
Net income recognised directly in equity	**977**	9,214	12,613
Profit for the financial period attributable to equity shareholders of the parent	**16,432**	19,705	30,251
Total recognised income and expenses for the period (attributable to equity shareholders of the parent)	**17,409**	28,919	42,864

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 2008 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 as defined in Section 240 of the Companies Act 1985 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 29 August 2008.

The financial information contained in the Condensed Consolidated Half-yearly Financial Statements in respect of the year ended 31 December 2007 has been extracted from the 2007 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 237(2) or (3) of the Companies Act 1985.

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 2007. 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.

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 2007.

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.

2. Segmental analysis

	Revenue			Operating profit		
	Half year ended June		Year ended December	Half year ended June		Year ended December
	2008	2007	2007	**2008**	2007	2007
	£'000	£'000	£'000	**£'000**	£'000	£'000
Continuing operations	**211,082**	209,860	402,926	**26,784**	30,498	48,810
Financial income and expenses (net)				**(4,086)**	(3,111)	(6,707)
Profit before tax				**22,698**	27,387	42,103

	2008	2007	2007
Geographical destination of revenue:	**£'000**	£'000	£'000
United Kingdom	**210,161**	208,693	400,253
Rest of the world	**921**	1,167	2,673
	211,082	209,860	402,926

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

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

3. Net operating costs

	Half year ended June 2008 £'000	Half year ended June 2007 £'000	Year ended December 2007 £'000
Raw materials and consumables	**70,033**	67,486	135,423
Changes in inventories of finished goods and work in progress	**(4,663)**	(4,740)	(12,460)
Personnel costs	**48,230**	46,414	91,845
Depreciation - owned	**10,779**	9,889	20,368
- leased	**275**	291	691
Own work capitalised	**(1,185)**	(1,161)	(2,516)
Manufacturing overheads	**60,406**	61,731	118,189
Amortisation of intangible assets	**291**	250	661
Negative goodwill	**-**	(700)	(700)
Restructuring costs	**303**	204	1,766
Strategic business initiatives: Landscape Installations *	**2,146**	1,949	3,627
Strategic business initiatives: Commercial expansion *	**500**	366	712
Works closure costs *	**-**	-	160
Share of results of associates	**20**	-	-
Operating costs	**187,135**	181,979	357,766
Other operating income	**(666)**	(771)	(1,493)
Net profit on asset and property disposals *	**(2,171)**	(1,846)	(2,157)
Net operating costs	**184,298**	179,362	354,116

* These items are not included in the Group's definition of underlying profit.

4. Financial expenses and income

	Half year ended June 2008 £'000	Half year ended June 2007 £'000	Year ended December 2007 £'000
(a) Financial expenses			
Interest expense on bank loans, overdrafts and loan notes	**3,013**	1,935	4,721
Interest on obligations under the defined benefit Pension Scheme	**5,580**	5,248	10,506
Debenture interest expense	**1,137**	1,137	2,275
B share dividend expense	**-**	42	42
Finance lease interest expense	**17**	28	52
	9,747	8,390	17,596
(b) Financial income			
Expected return on Scheme assets under the defined benefit Pension Scheme	**5,545**	5,273	10,875
Interest receivable and similar income	**116**	6	14
	5,661	5,279	10,889

5. Earnings per share

Basic earnings per share of 11.76 pence (30 June 2007: 13.80 pence) (31 December 2007: 21.28 pence) is calculated by dividing the profit attributable to ordinary shareholders from total operations of £16,432,000 (30 June 2007: £19,705,000) (31 December 2007: £30,251,000) by the weighted average number of shares in issue during the period of 139,739,447 (30 June 2007: 142,799,251) (31 December 2007: 142,159,560).

Profit attributable to ordinary shareholders

	Half year ended June		Year ended December
	2008	2007	2007
	£'000	£'000	£'000
Profit attributable to ordinary shareholders			
- Continuing operations	**16,432**	19,705	30,251

Weighted average number of ordinary shares

	Half year ended June		Year ended December
	2008	2007	2007
	Number	Number	Number
Number of issued ordinary shares	**143,106,254**	143,106,254	143,106,254
Effect of shares transferred into employee benefit trust	**(941,807)**	(307,003)	(523,201)
Effect of treasury shares	**(2,425,000)**	-	(423,493)
Weighted average number of ordinary shares at end of period	**139,739,447**	142,799,251	142,159,560

Diluted earnings per share of 11.64 pence (30 June 2007: 13.77 pence) (31 December 2007: 21.19 pence) is calculated by dividing the profit attributable to ordinary shares and potentially dilutive ordinary shares of £16,432,000 (30 June 2007: £19,705,000) (31 December 2007: £30,251,000) by the weighted average number of shares in issue during the period of 139,739,447 (30 June 2007: 142,799,251) (31 December 2007: 142,159,560) plus potentially dilutive shares of 1,398,300 (30 June 2007: 307,003) (31 December 2007: 572,479) which totals 141,137,747 (30 June 2007: 143,106,254) (31 December 2007: 142,732,039).

Weighted average number of ordinary shares (diluted)

	Half year ended June		Year ended December
	2008	2007	2007
	Number	Number	Number
Weighted average number of ordinary shares	**139,739,447**	142,799,251	142,159,560
Effect of shares transferred into employee benefit trust	**941,807**	307,003	523,201
Effect of treasury shares	**456,493**	-	49,278
Weighted average number of ordinary shares (diluted)	**141,137,747**	143,106,254	142,732,039

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

6. Dividends

The following dividends were approved by the shareholders in the period.

	Half year ended June 2008 £'000	Half year ended June 2007 £'000	Year ended December 2007 £'000
9.30 pence per qualifying ordinary share (30 June 2007: 8.85 pence, 31 December 2007: 13.40 pence)	**13,009**	12,653	19,098

The 2007 final dividend of 9.30 pence per qualifying ordinary share, total value £13,009,000, was paid on 4 July 2008 to shareholders on the register at the close of business on 6 June 2008.

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.

	Half year ended June 2008 £'000	Half year ended June 2007 £'000	Year ended December 2007 £'000
4.55 pence per qualifying ordinary share (30 June 2007: 4.55 pence, 31 December 2007: 9.30 pence)	**6,365**	6,445	13,009

7. Investment in associates

On 4 January 2008 the Group acquired a 25 per cent stake in a natural stone quarrying business. The results, assets and liabilities are incorporated in these Condensed Consolidated Half-yearly Financial Statements using the equity method of accounting. The investment is carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of net assets of the associate.

8. Assets held for sale

During the year ended 31 December 2007 the Board resolved to dispose of certain properties and at the year end negotiations with several interested parties were in progress. These properties were all sold in the half year ended 30 June 2008 but at 31 December 2007 were classified as assets held for sale and presented separately in the balance sheet. The proceeds of disposal were in excess of the book value of the related assets.

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. Actuarial gains and losses on the defined benefit section of the Scheme are recognised in the period in which they occur in the Consolidated Statement of Recognised Income and Expenses.

		June	December
	2008	2007	2007
	£'000	£'000	£'000
Present value of funded obligations	**(185,738)**	(197,211)	(194,782)
Fair value of Scheme assets	**172,551**	169,048	176,987
Recognised liability for defined benefit obligations (see below)	**(13,187)**	(28,163)	(17,795)
Experience adjustments on Scheme liabilities	**11,212**	14,194	17,749
Experience adjustments on Scheme assets	**(9,869)**	(1,399)	33
Actuarial gains recognised in the Consolidated Statement of Recognised Income and Expenses	**1,343**	12,795	17,782

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

		June	December
	2008	2007	2007
	£'000	£'000	£'000
Net liability for defined benefit obligations at beginning of the period	**(17,795)**	(41,945)	(41,945)
Contributions received	**3,300**	1,162	4,900
(Loss) / gain recognised in the Consolidated Income Statement	**(35)**	(175)	1,468
Actuarial gains recognised in the Consolidated Statement of Recognised Income and Expenses	**1,343**	12,795	17,782
Net liability for defined benefit obligations at the period end	**(13,187)**	(28,163)	(17,795)

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

		June	December
	2008	2007	2007
Discount rate (AA corporate bond rate)	**6.7%**	5.8%	5.8%
Expected return on Scheme assets	**6.3%**	6.4%	6.3%
Future salary increases	**N/A**	N/A	N/A
Future pension increases	**3.8%**	3.1%	3.0%
Future expected lifetime of pensioner at age 65 (years):			
Male:	**20.1**	18.6	19.3
Female:	**22.9**	21.6	21.9

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

10. Capital and reserves

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolid-ation reserve £'000	Hedging reserve £'000	Retained earnings £'000
Current 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**
Increase 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**

	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 half-yearly period							
At 1 January 2007	35,777	2,732	(453)	73,298	(213,067)	(6)	286,261
Purchase of own shares	-	-	(1,827)	-	-	-	-
Share based expenses	-	-	-	-	-	-	456
Shares issued	-	2	-	-	-	-	-
Profit for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	19,705
Dividends to shareholders	-	-	-	-	-	-	(12,653)
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	-	12,795
Increase in fair value of hedging derivatives	-	-	-	-	-	2	-
Deferred taxation arising	-	-	-	-	-	-	(3,582)
Total movements in the period	-	2	(1,827)	-	-	2	16,721
At 30 June 2007	35,777	2,734	(2,280)	73,298	213,067	(4)	302,982

	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 2007	35,777	2,732	(453)	73,298	(213,067)	(6)	286,261
Purchase of own shares	-	-	(8,413)	-	-	-	-
Share based expenses	-	-	-	-	-	-	744
Shares issued	-	2	-	-	-	-	-
Redemption of B shares	-	-	-	2,096	-	-	(2,096)
Profit for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	30,251
Dividends to shareholders	-	-	-	-	-	-	(19,098)
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	-	17,782
Increase in fair value of hedging derivatives	-	-	-	-	-	3	-
Deferred taxation arising	-	-	-	-	-	-	(5,172)
Total movements in the period	-	2	(8,413)	2,096	-	3	22,411
At 31 December 2007	35,777	2,734	(8,866)	75,394	(213,067)	(3)	308,672

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

11. Notes to the cash flow statement

	Half year ended June 2008 £'000	Half year ended June 2007 £'000	Year ended December 2007 £'000
Cash flows from operating activities			
Profit before tax	**22,698**	27,387	42,103
Adjustments for:			
Depreciation	**11,054**	10,180	21,059
Amortisation	**291**	240	661
Negative goodwill	**-**	(700)	(700)
Gain on sale of property, plant & equipment	**(2,171)**	(1,846)	(2,856)
Equity settled share based expenses	**(994)**	456	744
Financial income and expenses (net)	**4,086**	3,110	6,707
Operating cashflow before changes in working capital, provisions and pension scheme contributions	**34,964**	38,827	67,718
Increase in trade and other receivables	**(22,922)**	(31,091)	(7,403)
Increase in inventories	**(5,096)**	(5,633)	(13,815)
Increase in trade and other payables	**6,568**	13,003	2,723
Decrease in employee benefits	**-**	-	(1,099)
Pension scheme contributions	**(3,300)**	(1,100)	(4,400)
Cash generated from the operations	**10,214**	14,006	43,724
Financial expenses paid	**(4,714)**	(3,116)	(6,729)
Non equity dividends paid	**-**	(42)	(42)
Income tax paid	**(2,768)**	(3,725)	(9,287)
Net cash flow from operating activities	**2,732**	7,123	27,666
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**11,131**	1,538	2,960
Financial income received	**116**	6	14
Acquisition of associates / subsidiaries	**(1,497)**	(11,539)	(12,604)
Bank overdraft acquired with subsidiaries	**-**	(240)	(240)
Acquisition of property, plant and equipment	**(12,480)**	(13,605)	(30,605)
Acquisition of intangible assets	**(372)**	-	(1,102)
Net cash flow from investing activities	**(3,102)**	(23,840)	(41,577)
Cash flows from financing activities			
Payments to acquire own shares	**(606)**	(1,827)	(8,413)
(Decrease) / increase in other debt and lease financing	**(149)**	350	(414)
Redemption of B shares	**-**	(312)	(2,408)
Increase in borrowings	**11,407**	10,400	17,400
Equity dividends paid	**-**	-	(19,098)
Net cash flow from financing activities	**10,652**	8,611	(12,933)

12. Analysis of net debt

	1 January 2008 £'000	Cash flow £'000	**30 June 2008 £'000**
Cash at bank and in hand	19	(14)	**5**
Overdrafts	(27,840)	10,296	**(17,544)**
	(27,821)	10,282	**(17,539)**
Debt due within one year	(7,000)	(11,407)	**(18,407)**
Debt due after one year	(61,727)	-	**(61,727)**
Finance leases	(378)	149	**(229)**
	(96,926)	(976)	**(97,902)**

13. Borrowing facilities

The total bank borrowing facilities at 30 June 2008 amounted to £156.7 million of which £79.0 million remained unutilised.

As at 29 August 2008 the Group has renewed and increased its bank facilities as follows:

	£'000
Committed	141,700
Uncommitted (of which £20m is a seasonal working capital facility available from 1 February to 31 August)	45,000
	186,700

In addition to the bank facilities the Group has a £20.0 million Debenture and finance leases which, at 30 June 2008, amounted to £0.2 million.

14. Post balance sheet events

On 3 July 2008 the Group announced the proposed closure of its concrete manufacturing operations at Cannock and Sawley, although Sawley will be retained as a regional distribution centre. These proposed changes should enable the Group to realise productivity gains from its investments in automation over recent years, reduce its fixed cost base, reduce stock volumes and release cash. These changes are likely to involve a charge of around £8.0 million, including asset write downs of approximately £4.5 million. The cash cost is estimated to be approximately £3.5 million with an expected payback of less than one year.

15. Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year are those detailed on pages 20 to 22 of the 2007 Annual report, and have not changed.

Independent Review Report

Independent review report by KPMG Audit Plc to Marshalls plc

Introduction

We have been engaged by the Company to review the condensed set of Financial Statements in the Half-yearly Report for the six months ended 30 June 2008 which comprises the Condensed Consolidated Half-yearly Income Statement, the Condensed Consolidated Half-yearly Balance Sheet, the Condensed Consolidated Half-yearly Cash Flow Statement, the Condensed Consolidated Half-yearly Statement of Recognised Income and Expenses 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 Financial Information.

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, including the condensed Financial Information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-yearly Report, and the condensed Financial Information contained therein, 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 have 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 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 Half-yearly 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 Statements 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 set of Financial Information contained in the Half-yearly Report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc

Chartered Accountants
Leeds
29 August 2008

Responsibility Statement

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 2008 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 2008 and that have materially affected the financial position or performance of the entity 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 2008 and their respective responsibilities remain unchanged from the details that can be found on pages 35 and 38 of the 2007 Annual Report.

By order of the Board
Cathy Baxandall
Company Secretary
29 August 2008

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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