INTERIM REPORT 2004

Marshalls

Chairman's Statement

Group Results

Group turnover in the six months to 30 June 2004 increased by 3.6 per cent to £190.2 million (2003: £183.6 million). Operating profit was £32.0 million (2003: £30.6 million), up 4.8 per cent. Profit before taxation of £30.4 million (2003: £29.1 million) was up 4.5 per cent and basic earnings per share at 12.55p (2003: 11.80p) were 6.4 per cent ahead of the comparable period last year.

Landscape Products

Landscape Products sales increased by 3.3 per cent to £157.8 million (2003: £152.9 million). Operating profit was up 1.3 per cent to £26.5 million (2003: £26.1 million).

Sales enquiries from domestic consumers were at record levels and installers' average order books ended the period at 11.9 weeks, 1.3 weeks higher than a year ago. However, outdoor working conditions in the early Spring were less favourable than in the prior year and this held the sales increase back to 4 per cent.

Public sector and commercial demand was robust with the exception of drainage products associated with transport infrastructure. Sales in the sector improved by 2 per cent overall.

Clay Products

Clay Products sales for the period increased by 9.6 per cent to £17.4 million (2003: £15.9 million). Operating profit was £3.1 million (2003: £2.0 million) an improvement of 55.2 per cent over a disappointing comparable period.

Sales volumes were slightly ahead of the first half of 2003. Sales values benefited from an improvement in product mix, and with industry stocks at historically low levels there has been some strengthening in price levels.

The business is being tightly managed. The fixed cost base has been reduced and stocks are at low levels. Capital employed is £2.5 million less than at the same stage last year and return on capital employed has improved to 16.8 per cent in the first half of the year (2003: 10.0 per cent).

Natural Stone

Natural Stone sales at £14.9 million (2003: £14.8 million) were very similar to the excellent sales achieved in the comparable period which benefited from a large project in Trafalgar Square. Operating profit was maintained at £2.4 million (2003: £2.4 million).

Natural Stone includes processed natural stone products, imported stone and granite products, together with crushed aggregates from our own quarries. The majority of customers are involved with public sector and infrastructure projects.

Whilst there are fewer large commercial projects under consideration at the present time compared with last year, the overall volume of enquiries remains acceptable.

Acquisitions

In the first half of the year Marshalls expanded its Street Furniture business (included in Landscape Products) through the acquisition of The Great British Bollard Company Limited and Woodhouse Group Limited. These two businesses, which have combined annual sales of £10 million, significantly increase the portfolio of products that the Group is able to offer to the public sector and commercial market. The net cash paid for these two businesses amounted to £6.6 million.

On 2 July 2004 Marshalls completed the acquisition of Rockrite Limited a specialist ready to use mortar business that will add value to Group aggregate sales. Rockrite has annual sales of £4 million.

These acquisitions reflect the Group strategy of adding complementary businesses providing quality products to enhance Marshalls core product offer.

Balance Sheet

The Scheme of Arrangement for the return of value became effective on 8 July 2004. The Scheme, which enabled the return of £75 million to shareholders, involved a capital reorganisation and the introduction of a new holding company which has now assumed the original name of Marshalls plc. Under the terms of the Scheme, shareholders received 11 new shares and 13 B shares in the new holding company for every 13 ordinary shares held on 7 July 2004. Shareholders elected to redeem £70.1 million worth of the B shares immediately on 21 July 2004, leaving £5.3 million to be redeemed at a later date.

At 30 June 2004 the Scheme was not yet effective and consequently the interim financial statements have been prepared in respect of the previous holding company. However, we have included a pro forma balance sheet, with adjustments, to illustrate the effect of the Scheme as if the changes had taken place on 30 June 2004. The restructuring is being accounted for as a capital reorganisation and merger accounting principles are being applied.

At 30 June 2004 gearing increased slightly to 10.2 per cent (2003: 8.0 per cent) with net borrowings at £24.3 million (2003: £17.4 million). This largely reflected the acquisitions in the period and their working capital requirements together with the normal seasonal working capital outflow in the first half of the year. After the redemption of the B shares on 21 July 2004 gearing, on a pro forma basis, was 60.0 per cent.

Dividend

The Board has decided to declare an interim dividend of 3.90p (2003: 3.65p) per ordinary share, an increase of 6.8 per cent. This dividend will be paid on 8 December 2004 to shareholders on the register at the close of business on 5 November 2004. The ex-dividend date will be 3 November 2004.

The Board

I am pleased to announce the appointment of Mike Davies as Non-Executive Chairman with effect from 1 October 2004. Mike brings with him considerable experience of our industry and I am delighted that he has agreed to join us.

Outlook

In the domestic market, interest in driveway and patio products continues to be strong and installer order books remain high.

Public sector and commercial demand remains robust. The recent Goverment spending review has confirmed the commitment to a long term increase in public sector investment as a proportion of GDP which should underpin future demand for this sector.

The second half of the year has seen an encouraging start in the face of unhelpful working conditions. At this stage of the year our market intelligence suggests that underlying demand will continue to be firm for the remainder of the year.

Richard Scholes
Acting Chairman

Consolidated Profit and Loss Account

for the half year ended 30 June 2004

	Notes	2004 £'000	Unaudited Half year ended June 2003 £'000	Audited Year ended December 2003 £'000
Turnover	3	**190,162**	183,583	349,481
Operating costs		**(158,153)**	(153,029)	(296,353)
Operating profit	3	**32,009**	30,554	53,128
Interest (net)		**(1,599)**	(1,447)	(2,725)
Profit on ordinary activities before taxation		**30,410**	29,107	50,403
Taxation on profit on ordinary activities		**(9,400)**	(9,345)	(15,902)
Profit for the financial period		**21,010**	19,762	34,501
Preference dividends: Non equity shares		**-**	(36)	(54)
Profit attributable to ordinary shareholders		**21,010**	19,726	34,447
Earnings per share:				
Basic	5	**12.55p**	11.80p	20.61p
Diluted	5	**12.53p**	11.80p	20.58p
Adjusted Basic	5	**13.02p**	12.23p	21.46p
Dividend per share:				
Pence per share	4	**3.90p**	3.65p	11.00p

Consolidated Balance Sheet

as at 30 June 2004

	Notes	Pro forma (note 8) 2004 £'000	2004 £'000	Unaudited June 2003 £'000	Audited December 2003 £'000
Fixed assets					
Intangible		**30,246**	**30,246**	24,445	23,725
Tangible		**209,999**	**209,999**	194,680	206,650
		240,245	**240,245**	219,125	230,375
Current assets					
Stocks		**60,125**	**60,125**	57,885	56,744
Debtors		**69,426**	**69,426**	63,138	33,412
Cash at bank and in hand		**28**	**28**	5,977	7,884
		129,579	**129,579**	127,000	98,040
Creditors: Amounts falling due within one year		**(106,691)**	**(88,612)**	(89,392)	(68,992)
Net current assets		**22,888**	**40,967**	37,608	29,048
Total assets less current liabilities		**263,133**	**281,212**	256,733	259,423
Creditors: Amounts falling due after more than one year		**(80,000)**	**(20,000)**	(20,001)	(20,000)
Provisions for liabilities and charges		**(21,626)**	**(21,626)**	(20,358)	(21,275)
Net assets	3	**161,507**	**239,586**	216,374	218,148
Capital and reserves					
Called up share capital		**40,786**	**41,886**	42,008	41,837
Capital redemption reserve		**70,050**	**1,483**	1,261	1,483
Share premium account		**-**	**18,517**	17,728	18,138
Revaluation reserve		**5,166**	**5,166**	5,166	5,166
Merger reserve		**(213,067)**	**13,091**	13,091	13,091
Profit and loss account		**258,572**	**159,443**	137,120	138,433
Shareholders' funds		**161,507**	**239,586**	216,374	218,148
Analysis of shareholders' funds					
Equity		**161,507**	**239,586**	215,266	218,148
Non equity		**-**	**-**	1,108	-
		161,507	**239,586**	216,374	218,148
Net gearing		**60.0%**	**10.2%**	8.0%	6.1%

Consolidated Cash Flow Statement

for the half year ended 30 June 2004

	Notes	2004 £'000	Unaudited Half year ended June 2003 £'000	Audited Year ended December 2003 £'000
Cash inflow from operating activities	7	**14,684**	28,554	81,261
Returns on investments and servicing of finance		**(1,590)**	(1,559)	(2,831)
Taxation		**(6,132)**	(6,676)	(14,018)
Capital expenditure		**(11,929)**	(18,790)	(39,802)
Acquisitions and disposals		**(6,556)**	(1,035)	(2,014)
Equity dividends paid		**-**	-	(17,300)
Cash (outflow)/inflow before financing		**(11,523)**	494	5,296
Financing				
Issue of shares		**428**	3	464
Repayment of cumulative redeemable preference shares		**-**	-	(1,108)
Decrease in debt and lease financing		**(1,120)**	(1,827)	(4,075)
(Decrease)/increase in cash in the period		**(12,215)**	(1,330)	577

Reconciliation of Net Cash Flow to Movement in Net Debt

	2004 £'000	June 2003 £'000	December 2003 £'000
(Decrease)/increase in cash in the period	**(12,215)**	(1,330)	577
Cash outflow from decrease in debt and lease financing	**1,120**	1,827	4,075
Movement in net debt in the period	**(11,095)**	497	4,652
Net debt at beginning of period	**(13,243)**	(17,895)	(17,895)
Net debt at end of period	**(24,338)**	(17,398)	(13,243)

Consolidated Reconciliation of Movements in Shareholders' Funds

for the half year ended 30 June 2004

		Unaudited	Audited
		Half year ended	Year ended
		June	December
	2004	2003	2003
	£'000	£'000	£'000
Profit for the financial period	**21,010**	19,762	34,501
Dividends (preference and ordinary)	**-**	(6,137)	(18,455)
New share capital issued	**428**	3	464
Repayment of cumulative redeemable preference shares	**-**	-	(1,108)
Net additions to shareholders' funds	**21,438**	13,628	15,402
Shareholders' funds at beginning of period	**218,148**	202,746	202,746
Shareholders' funds at end of period	**239,586**	216,374	218,148

There were no recognised gains or losses in the period (2003: £Nil) other than those reflected above.

Notes to the Interim Statements

1. Scheme of Arrangement

On 8 July 2004 Marshalls plc ("the Company" and formerly Marshalls Group plc) was introduced as the new holding company of the Marshalls Group by way of a Court approved Scheme of Arrangement ("the Scheme") under Section 425 of the Companies Act 1985. The Company had previously been incorporated as Ever 2338 Limited on 13 April 2004. It changed its name on 30 April 2004 to Marshalls Group Limited and on 5 May 2004 re-registered as a public limited company. Following the Scheme becoming effective on 8 July 2004, Marshalls Group plc changed its name to Marshalls plc. The restructuring is being accounted for as a capital reorganisation and for the year ending 31 December 2004 merger accounting principles will be applied as if the Company had always been the holding company of the Group.

Under the Scheme, Marshalls Group plc ("Marshalls Group" and formerly Marshalls plc) shareholders received 11 new ordinary shares and 13 B shares in the Company for every 13 existing ordinary shares held at the Scheme record date. In order to finance the obligations of the Group in relation to the B shares an inter-company loan of £72.5 million has been made to the Company by Marshalls Group in accordance with the Scheme. This loan has enabled the Company to redeem 155,665,695 B shares pursuant to the Scheme, amounting in aggregate to £70.1 million, and to pay the costs and expenses relating to the redemption of the B shares and the Scheme.

2. Basis of Preparation

As at 30 June 2004 the Scheme had not been completed and the interim financial statements have been prepared in respect of Marshalls Group plc (formerly Marshalls plc). The interim financial statements have been prepared on the basis of the accounting policies set out in the 2003 Annual Report. In addition, a pro forma balance sheet has been disclosed for the new Group.

A pro forma balance sheet for the new Group as at 30 June 2004 has been disclosed for illustration purposes only and details of the pro forma adjustments have been included in note 8. This illustrates the effect of the Scheme on the consolidated balance sheet of Marshalls Group as though the changes had taken place on 30 June 2004.

Notes to the Interim Statements (continued)

3. Analysis of turnover, operating profit and net assets

		Unaudited	Audited
		Half year ended	Year ended
		June	December
	2004	2003	2003
	£'000	£'000	£'000
(a) Turnover			
Landscape Products	**157,842**	152,865	288,819
Clay Products	**17,445**	15,918	32,130
Natural Stone	**14,875**	14,800	28,532
	190,162	183,583	349,481
(b) Operating profit			
Landscape Products	**26,472**	26,129	44,874
Clay Products	**3,111**	2,004	4,202
Natural Stone	**2,426**	2,421	4,052
	32,009	30,554	53,128
(c) Net assets			
Landscape Products	**233,696**	202,674	200,026
Clay Products	**36,810**	39,335	37,089
Natural Stone	**34,910**	32,180	32,234
	305,416	274,189	269,349
Unallocated net liabilities	**(65,830)**	(57,815)	(51,201)
	239,586	216,374	218,148

Unallocated net liabilities comprise non-operating assets and liabilities of a financing nature, principally net borrowings, corporate tax, deferred tax and dividends payable. There is no material inter-segmental turnover.

4. Dividends

On 3 September 2004 the Company declared an interim dividend of 3.90p per share. Payment of the interim dividend will be made on 8 December 2004 to shareholders registered at the close of business on 5 November 2004. The ex-dividend date will be 3 November 2004.

Payment of this dividend to shareholders, which is estimated to amount in aggregate to £5,529,000, will be funded by way of an inter-company dividend from Marshalls Group plc to Marshalls plc.

Total dividends:		Half year ended	Year ended
		June	December
	2004	2003	2003
	per share	per share	per share
Marshalls plc (formerly Marshalls Group plc)	**3.90p**	N/A	N/A
Marshalls Group plc (formerly Marshalls plc)	**-**	3.65p	11.00p
	£'000	£'000	£'000
Marshalls plc (formerly Marshalls Group plc)	**5,529**	N/A	N/A
Marshalls Group plc (formerly Marshalls plc)	**-**	6,101	18,401

Notes to the Interim Statements (continued)

5. Earnings per share

	2004 £'000	Unaudited Half year ended June 2003 £'000	Audited Year ended December 2003 £'000
Profit for the financial period attributable to ordinary shareholders	**21,010**	19,726	34,447
Profit for the financial period attributable to ordinary shareholders and potentially ordinary dilutive shares	**21,010**	19,726	34,447
Adjusted basic earnings per share reconciliation:			
Profit for the financial period attributable to ordinary shareholders	**21,010**	19,726	34,447
Goodwill amortisation	**779**	710	1,430
	21,789	20,436	35,877
Weighted average number of shares	**167,402,546**	167,145,851	167,159,671
Weighted average number of shares	**167,402,546**	167,145,851	167,159,671
Potentially dilutive shares	**272,383**	48,324	202,054
	167,674,929	167,194,175	167,361,725
Basic earnings per share	**12.55p**	11.80p	20.61p
Diluted earnings per share	**12.53p**	11.80p	20.58p
Adjusted basic earnings per share	**13.02p**	12.23p	21.46p

An adjusted basic earnings per share has been prepared in order to show the underlying performance of the business. The adjusted basic earnings per share is adjusted for goodwill amortisation.

6. Borrowing facilities

As at 30 June 2004, Marshalls Group had arranged additional bank facilities amounting, in aggregate, to £100 million with the Royal Bank of Scotland plc and Lloyds TSB Bank plc. The total borrowing facilities at that date amounted to £145 million of which £140.7 million remained unutilised. As detailed in note 1, on 21 July 2004 a loan of £72.5 million was made to Marshalls plc to enable the redemption of 155,665,695 (92.9%) B shares and to pay the costs and expenses relating to the redemption and the Scheme. This loan was made out of the additional bank facilities referred to above.

7. Reconciliation of operating profit to cash inflow from operating activities

	2004 £'000	Unaudited Half year ended June 2003 £'000	Audited Year ended December 2003 £'000
Operating profit	**32,009**	30,554	53,128
Amortisation charges	**779**	710	1,430
Depreciation charges	**9,390**	8,840	17,538
(Profit)/loss on sale of tangible fixed assets	**(12)**	13	317
(Increase)/decrease in stocks	**(2,807)**	5,571	6,711
Increase in debtors	**(35,288)**	(31,108)	(1,382)
Increase in creditors	**10,613**	13,974	3,519
Cash inflow from operating activities	**14,684**	28,554	81,261

Notes to the Interim Statements (continued)

8. Pro forma balance sheet for the new Group

The following pro forma balance sheet for the new Group as at 30 June 2004 illustrates the effect of the Scheme on the consolidated balance sheet of Marshalls Group as though the changes had taken place on that date. It has been prepared on the basis that the Scheme is accounted for as a group reconstruction under merger accounting rules. It also includes an adjustment for the interim dividend of 3.90p per share (note 4).

	Marshalls Group 30 June 2004 £'000	Scheme of Arrangement £'000	Reduction of Capital £'000	Redemption/ Cancellation of B Shares £'000	Interim Dividend £'000	**Pro forma 30 June 2004 £'000**
Fixed assets						
Intangible	**30,246**	-	-	-	-	**30,246**
Tangible	**209,999**	-	-	-	-	**209,999**
	240,245	-	-	-	-	**240,245**
Current Assets						
Stocks	**60,125**	-	-	-	-	**60,125**
Debtors	**69,426**	-	-	-	-	**69,426**
Cash at bank and in hand	**28**	-	-	-	-	**28**
	129,579	-	-	-	-	**129,579**
Creditors: Amounts falling due within one year	**(88,612)**	**-**	**-**	(12,550)	(5,529)	**(106,691)**
Net current assets	**40,967**	-	-	(12,550)	(5,529)	**22,888**
Total assets less current liabilities	**281,212**	**-**	**-**	(12,550)	(5,529)	**263,133**
Creditors: Amounts falling due after more than one year	**(20,000)**	**-**	**-**	(60,000)	-	**(80,000)**
Provisions for liabilities and charges	**(21,626)**	**-**	**-**	-	-	**(21,626)**
Net assets	**239,586**	**-**	**-**	(72,550)	(5,529)	**161,507**
Capital and reserves						
Called up share capital	**41,886**	246,158	(177,208)	(70,050)	-	**40,786**
Capital redemption reserve	**1,483**	(1,483)	-	70,050	-	**70,050**
Share premium account	**18,517**	(18,517)	-	-	-	-
Revaluation reserve	**5,166**	-	-	-	-	**5,166**
Merger reserve	**13,091**	(226,158)	-	-	-	**(213,067)**
Profit and loss account	**159,443**	-	177,208	(72,550)	(5,529)	**258,572**
Shareholders' funds	**239,586**	-	-	(72,550)	(5,529)	**161,507**
Net debt	**(24,338)**			(72,550)		**(96,888)**
Net gearing	**10.2%**					**60.0%**

Notes to the Interim Statements (continued)

8. Pro forma balance sheet for the new Group (continued)

Under the Scheme, on 8 July 2004, the Company issued 141,766,577 new ordinary shares of 150 pence each, with an aggregate nominal value of £212,649,866 and 167,542,319 B shares of 45 pence each, with an aggregate nominal value of £75,394,044, in consideration for 100 per cent of the issued ordinary share capital of Marshalls Group. The aggregate nominal value of the shares issued by the Company was £288,043,910.

Under merger accounting principles, the share capital and share premium of the Company is eliminated on consolidation. The adjustment to called up share capital of £246,158,000 represents the difference between the aggregate nominal value of the shares issued and the called up share capital of Marshalls Group of £41,886,000. In addition, the difference between the aggregate nominal value of the new ordinary shares and B shares issued by the Company and the called up share capital, capital redemption reserve and share premium account of Marshalls Group of £226,158,000 has been transferred to a merger reserve.

The pro forma balance sheet has been adjusted to reflect the Reduction of Capital, whereby the nominal value of each of the 141,766,577 new ordinary shares has been reduced from 150 pence per share to 25 pence per share resulting in a total reduction in share capital of £177,208,000, together with a corresponding increase to the profit and loss account.

The pro forma balance sheet has been adjusted by £72,550,000 to reflect the amount of capital that has been returned to shareholders of £70,050,000, being the nominal value of the B shares redeemed on 21 July 2004, plus the estimated costs of £2,500,000. The return of capital has been financed from new bank facilities drawn down of £72,550,000, of which £60,000,000 is included within Creditors: Amounts falling due after more than one year and £12,550,000 is included within Creditors: Amounts falling due within one year. The nominal value of the B shares redeemed of £70,050,000 has been transferred to a non-distributable capital redemption reserve.

9. Other

The above financial information does not constitute statutory accounts of Marshalls plc. The financial information for the year ended 31 December 2003 has been extracted from the statutory accounts of Marshalls Group for that period which have been delivered to the Registrar of Companies and contain an unqualified audit report.

Review Report

Independent review report by KPMG Audit Plc to Marshalls plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 3 to 10 and we have read the other information contained in the Interim 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 Listing Rules of the Financial Services Authority. 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 Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where they are to be changed in the next annual financial statements in which case any changes, and the reasons for them, are to be disclosed.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: *Review of interim financial information* issued by the Auditing Practices Board.

A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds
3 September 2004

Shareholder Information

Financial Calendar

Interim results for the year ending December 2004	Announced	3 September 2004
Interim dividend for the year ending December 2004	Payable	8 December 2004
Results for the year ending December 2004	Announcement	March 2005
Report and accounts for the year ending December 2004		April 2005
Annual General Meeting		May 2005
Final dividend for the year ending December 2004	Payable	July 2005

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 the holders of listed securities of the Company and 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

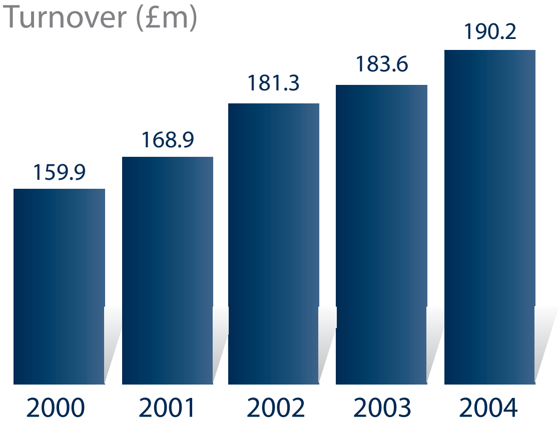
Any shareholder wishing dividends to be paid directly into a bank or building society should contact the Registrar for a dividend mandate form. Dividends paid in this way will be paid through the Bankers Automated Clearing System (BACS).

Website

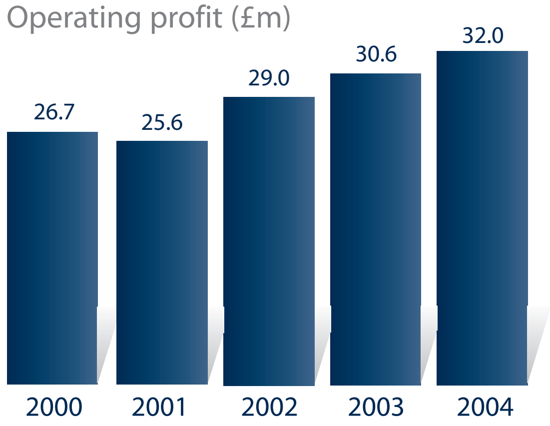
The Group has an internet website which gives information on the Group, its products and provides details of significant Group announcements. The address is: www.marshalls.co.uk

Financial Highlights

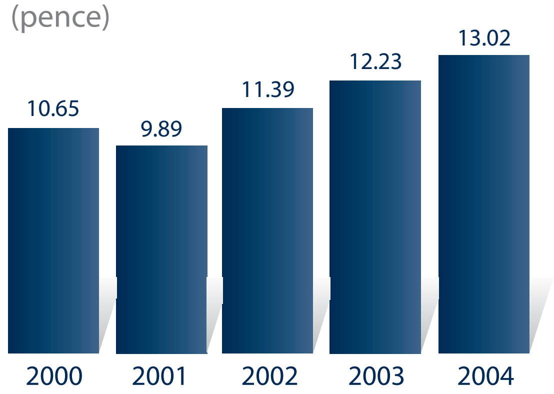
Turnover (£m)



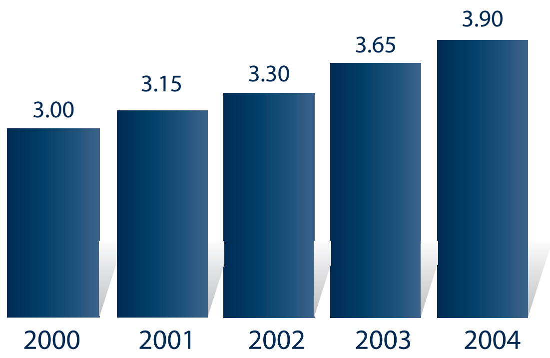
Operating profit (£m)



Adjusted basic earnings per share (pence)



Dividend per ordinary share (pence)



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