

INTERIM REPORT 2007

Marshalls

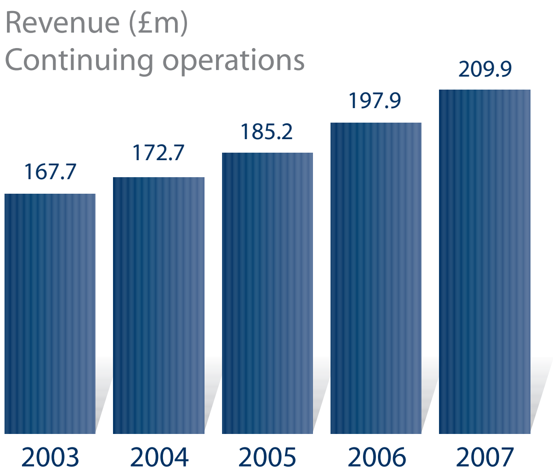
Financial Highlights

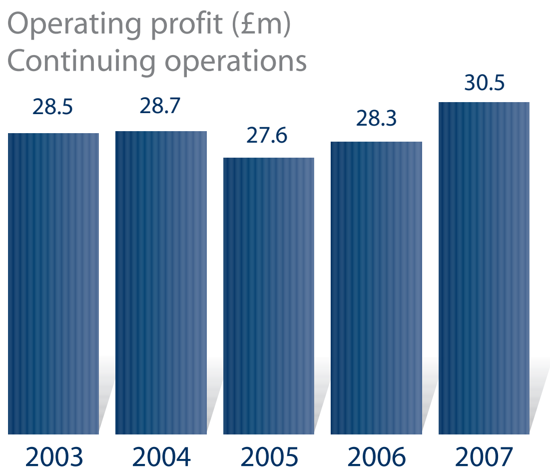
- Revenue up 6.0% including acquisitions
- EBITDA up 7.2% to £40.9m
- Operating profit up 7.9% to £30.5m
- Profit before tax of £27.4m, up 9.1%
- EPS up 13.0% to 13.80p
- Interim dividend announced of 4.55p, up 5.8%

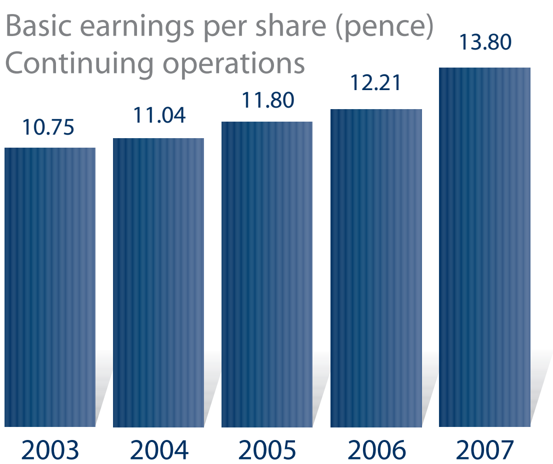
Business Highlights

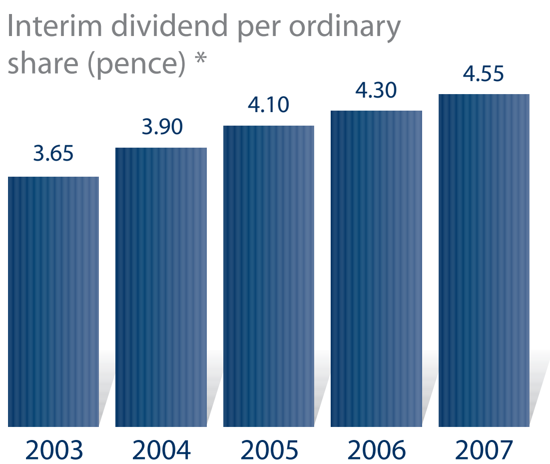
- Good underlying momentum before exceptional summer rainfall
- Pace of development activity increasing:
    - £11.8 million invested in bolt on acquisitions
    - £3.5 million invested in strategic organic expansion
- Our fourth Marshalls Garden and Driveway Display Centre is now open with a further six planned for the 2008 season

Financial Highlights









* In accordance with International Accounting Standards, the proposed interim dividends have not been accrued in the Financial Statements for the half year ended June.

Chief Executive's Review

Group Results

Marshalls' revenue was up 6.0 per cent, including acquisitions, in the half year ended 30 June 2007 at £209.9 million (2006: £197.9 million). Like for like revenue was up 3.7 per cent. Acquisition growth was 2.3 per cent at £4.7 million.

Operating profit for the period increased by 7.9 per cent to £30.5 million (2006: £28.3 million) after accounting for start up costs and one-off items. The start up costs of strategic initiatives expensed in the period were £2.3 million and these were partially offset by a net profit of £1.8 million from the sale of surplus properties. Operating profit before these one-off items was £31.0 million (2006: £30.0 million) an increase of 3.3 per cent.

Net financial expenses were £3.1 million (2006: £3.2 million) and interest cover was 9.1 times (2006: 8.9 times).

The effective tax rate has reduced to 28.0 per cent (2006: 30.3 per cent) due to the one-off beneficial impact on deferred tax of the future reduction in the rate of corporation tax.

Basic earnings per share was up 13.0 per cent at 13.80 pence per share (2006: 12.21 pence per share).

The interim dividend will be 4.55 pence per share (2006: 4.30 pence per share) an increase of 5.8 per cent. Our dividend policy continues to be that dividends will move in line with medium term earnings growth.

Operating Performance

Like for like sales to the Public Sector and Commercial market, which represents half of Group sales, were 5 per cent ahead of 2006 with encouraging double digit organic growth in natural stone products. Underlying activity in the Domestic market was good until it was hampered by exceptional summer rainfall. Like for like sales to the Domestic market were 3 per cent ahead of 2006. Installer order books at the end of June were a healthy 9.7 weeks, compared to 8.9 weeks at the same time last year, although in part, this increase reflects the backlog due to the reduced number of installations in June.

At the heart of Marshalls is a single manufacturing and distribution operation that supports our two main markets. This fundamental competitive advantage delivers industry leading product availability and delivery performance. We continue to invest in order to improve our productivity, to make our workplace safer and to reduce the environmental impact of our operations. Marshalls now has 54 robots installed in our manufacturing facilities which are delivering a significant competitive advantage.

Sustainability continues to be an integral part of the Marshalls culture. We have committed significant resources to establish and maintain third party accreditation for environmental management, safety management and quality. In 2006, independent audits confirmed that our chosen natural stone supplier partners in India and China were complying with the Ethical Trading Initiative base code. We continue to be the only major UK supplier in our sector who can provide this degree of assurance to customers, providing a key business differentiator.

We are increasing the pace of development of our integrated offer to the Public Sector and Commercial market by continuing to improve the range of innovative products and services we offer. This is particularly important for large prestigious developments. In the Public Sector and Commercial market we expect a good level of activity for the balance of 2007 and 2008.

The Group's Domestic strategy is gathering momentum. We continue to invest in sales and marketing direct to the consumer to create "pull through" demand and improve product mix. We now have four Marshalls Garden and Driveway Display Centres open and will have ten sites open for the 2008 season. Our sponsorship of the Royal Horticultural Society's Chelsea Flower Show in May was very successful and our presence at the Hampton Court and Tatton Park flower shows has further increased brand awareness and public recognition of Marshalls' innovative and design led products and services.

Corporate Activity

In the first half of 2007 we have invested £25.4 million in capital expenditure and acquisitions, and further such investment will continue to be a key part of our growth strategy.

Capital expenditure was £13.6 million including £10.1 million replacing assets and for business and process improvements. In addition to the incremental revenue investment referred to above we invested £3.5 million of capital investment on strategic organic expansion to drive future growth. This included the fourth Marshalls Garden and Driveway Display Centre and a range of natural stone and street furniture developments that will begin to payback in 2008.

In the first half of 2007 we also invested £11.8 million in bolt on acquisitions. We acquired one street furniture and two natural stone businesses.

Balance Sheet

Net assets at 30 June 2007 were £199.4 million which represented 139.4 pence per share.

At 30 June 2007 net debt was £73.5 million (2006: £47.4 million) with gearing of 36.8 per cent. The movement in net debt in the period is mainly due to the acquisitions and developments outlined above.

The liability for defined benefit pension obligations decreased from £41.9 million at 31 December 2006 to £28.2 million at 30 June 2007. This reduction is mainly due to an increase in the AA corporate bond rate from 5.1 per cent to 5.75 per cent. An actuarial gain of £9.2 million (net of deferred taxation) has been recorded in the Consolidated Interim Statement of Recognised Income and Expenses.

Dividend

The Board has declared an interim dividend of 4.55 pence (2006: 4.30 pence) per ordinary share, an increase of 5.8 per cent. This dividend will be paid on 5 December 2007 to shareholders on the register at the close of business on 2 November 2007. The ex-dividend date will be 31 October 2007.

Outlook

We have good visibility of demand in the Public Sector and Commercial market and lead indicators continue to be positive for 2007 and 2008. The outcome of the ongoing Comprehensive Spending Review will be announced later this year and this is expected to reinforce medium term demand. The outlook for this market sector, which represents half of our sales, remains good and we continue to invest organically and through acquisition to deliver growth.

Underlying activity in the Domestic market was good until it was hampered by exceptional summer rainfall. Installer order books continue to be strong at 9.7 weeks. Our successful sponsorship of the RHS Chelsea Flower Show has increased brand awareness and provided the platform to launch our National Garden Design and Installation Service. Continuing investment will result in a network of ten Marshalls Garden and Driveway Display Centres for the 2008 season.

The pace of development is increasing and with the spread of our business across the Public Sector and Commercial and Domestic markets we are well placed to take advantage of market growth opportunities.

Graham Holden
Chief Executive

Consolidated Interim Income Statement

for the half year ended 30 June 2007

	Notes	Half year ended June **2007** **£'000**	Half year ended June 2006 £'000	Year ended December 2006 £'000
Revenue	2	**209,860**	197,898	378,100
Net operating costs		**(179,362)**	(169,638)	(330,339)
Operating profit	2	**30,498**	28,260	47,761
Financial expenses	3	**(8,390)**	(7,853)	(14,904)
Financial income	3	**5,279**	4,688	8,846
Profit before tax	2	**27,387**	25,095	41,703
Income tax expense		**(7,682)**	(7,628)	(12,623)
Profit for the financial period		**19,705**	17,467	29,080
Earnings per share (total and continuing operations):				
Basic	4	**13.80p**	12.21p	20.34p
Diluted	4	**13.77p**	12.21p	20.32p
Dividend:				
Pence per share	5	**8.85p**	8.40p	12.70p
Dividends paid	5	**12,665**	12,010	18,158

Consolidated Interim Balance Sheet

as at 30 June 2007

	June		December
	2007	2006	2006
	£'000	£'000	£'000
Assets			
Non-current assets			
Property, plant and equipment	**213,003**	200,281	202,941
Intangible fixed assets	**58,799**	49,882	52,667
Deferred taxation assets	**10,136**	17,748	15,018
	281,938	267,911	270,626
Current assets			
Inventories	**74,738**	69,096	68,256
Trade and other receivables	**66,556**	64,016	34,290
Cash and cash equivalents	**67**	3,912	22
	141,361	137,024	102,568
Total assets	**423,299**	404,935	373,194
Liabilities			
Current liabilities			
Bank overdraft	**9,150**	-	999
Trade and other payables	**96,833**	92,800	65,547
Interest bearing loans and borrowings	**14,165**	161	3,565
	120,148	92,961	70,111
Non-current liabilities			
Interest bearing loans and borrowings	**50,214**	51,143	50,064
Employee benefits	**28,163**	58,877	41,945
Deferred taxation liabilities	**25,334**	24,749	26,532
	103,711	134,769	118,541
Total liabilities	**223,859**	227,730	188,652
Net assets	**199,440**	177,205	184,542
Equity			
Capital and reserves attributable to equity shareholders of the parent			
Share capital	**35,777**	35,777	35,777
Share premium account	**2,734**	2,732	2,732
Own shares	**(2,280)**	(407)	(453)
Capital redemption reserve	**73,298**	72,986	73,298
Consolidation reserve	**(213,067)**	(213,067)	(213,067)
Hedging reserve	**(4)**	(4)	(6)
Retained earnings	**302,982**	279,188	286,261
Equity shareholders' funds	**199,440**	177,205	184,542

Consolidated Interim Cash Flow Statement

for the half year ended 30 June 2007

	Notes	Half year ended June 2007 £'000	Half year ended June 2006 £'000	Year ended December 2006 £'000
Net cashflow from operating activities	6	**7,121**	12,459	38,846
Net cashflow from investing activities	6	**(23,840)**	(12,597)	(28,033)
Net cashflow from financing activities	6	**8,613**	(1,160)	(17,000)
Net decrease in cash and cash equivalents		**(8,106)**	(1,298)	(6,187)
Cash and cash equivalents at beginning of period		**(977)**	5,210	5,210
Cash and cash equivalents at end of period		**(9,083)**	3,912	(977)

Reconciliation of Net Cash Flow to Movement in Net Debt

	2007 £'000	2006 £'000	2006 £'000
Net decrease in cash and cash equivalents	**(8,106)**	(1,298)	(6,187)
Cash (inflow)/outflow from decrease in debt and lease financing	**(10,164)**	594	(1,731)
Finance leases acquired on acquisition of subsidiary undertakings	**(586)**	-	-
Movement in net debt in the period	**(18,856)**	(704)	(7,918)
Net debt at beginning of the period	**(54,606)**	(46,688)	(46,688)
Net debt at the end of the period	**(73,462)**	(47,392)	(54,606)

Consolidated Interim Statement of Recognised Income and Expenses

	2007 £'000	2006 £'000	2006 £'000
Cash flow hedges: Effective portion of changes in fair value (net of deferred taxation)	**(2)**	(2)	(4)
Actuarial gains (net of deferred taxation)	**9,212**	5,672	7,342
Net income recognised directly in equity	**9,210**	5,670	7,338
Profit for the financial period attributable to equity shareholders of the parent	**19,705**	17,467	29,080
Total recognised income and expenses for the period (for equity shareholders of the parent)	**28,915**	23,137	36,418

Notes to the Consolidated Interim Financial Statements

1. Basis of preparation

Marshalls plc (the "Company") is a company domiciled in the United Kingdom. The Consolidated Interim Financial Statements of the Company for the half year ended 30 June 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

The Consolidated Interim Financial Statements have been prepared on the basis of the recognition and measurement requirements of IFRSs in issue and endorsed by the EU and effective at 30 June 2007.

The Consolidated Interim Financial Statements do not include all the information required for full annual Financial Statements and should be read in conjunction with the Consolidated Financial Statements of the Group as at and for the year ended 31 December 2006. The Consolidated Interim Financial Statements were approved by the Board on 7 September 2007.

The Consolidated Interim 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 2006. The accounting policies are included on the Company's website and have been applied consistently throughout the Group for the purposes of these Consolidated Interim Financial Statements.

The preparation of financial statements in conformity with IFRSs 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.

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
	2007	2006	2006	**2007**	2006	2006
	£'000	£'000	£'000	**£'000**	£'000	£'000
Continuing operations	**209,860**	197,898	378,100	**30,498**	28,260	47,761
Financial income and expenses (net)				**(3,111)**	(3,165)	(6,058)
Profit on ordinary activities before tax				**27,387**	25,095	41,703

	2007	2006	2006
	£'000	£'000	£'000
Geographical destination of revenue:			
United Kingdom	**208,693**	196,055	374,627
Rest of the world	**1,167**	1,843	3,473
	209,860	197,898	378,100

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

Notes to the Consolidated Interim Financial Statements (continued)

3. Financial expenses and income

	Half year ended June 2007 £'000	Half year ended June 2006 £'000	Year ended December 2006 £'000
(a) Financial expenses			
Interest expense on bank loans, overdrafts and loan notes	**1,935**	1,376	2,406
Interest on obligations under the defined benefit pension scheme	**5,248**	5,278	10,107
Debenture interest expense	**1,137**	1,137	2,275
B share dividend expense	**42**	48	92
Finance lease interest expense	**28**	14	24
	8,390	7,853	14,904
(b) Financial income			
Expected return on scheme assets under the defined benefit pension scheme	**5,273**	4,678	8,802
Interest receivable and similar income	**6**	10	44
	5,279	4,688	8,846

4. Earnings per share

Basic earnings per share on total and continuing operations of 13.80 pence (30 June 2006: 12.21 pence) (31 December 2006: 20.34 pence) is calculated by dividing the profit attributable to ordinary shareholders from total operations of £19,705,000 (30 June 2006: £17,467,000) (31 December 2006: £29,080,000) by the weighted average number of shares in issue during the period of 142,799,251 (30 June 2006: 143,001,830) (31 December 2006: 142,949,818).

Profit attributable to ordinary shareholders	Half year ended June 2007 £'000	Half year ended June 2006 £'000	Year ended December 2006 £'000
Profit attributable to ordinary shareholders			
- Continuing operations	**19,705**	17,467	29,080

Weighted average number of ordinary shares

	Half year ended June 2007 Number	Half year ended June 2006 Number	Year ended December 2006 Number
Issued ordinary shares at beginning of period	**143,106,254**	143,087,712	143,087,712
Effect of shares issued in the period	**-**	10,463	14,536
Effect of shares transferred into employee benefit trust	**(307,003)**	(96,345)	(152,430)
Weighted average number of ordinary shares at end of period	**142,799,251**	143,001,830	142,949,818

4. Earnings per share (continued)

Diluted earnings per share on total and continuing operations of 13.77 pence (30 June 2006: 12.21 pence) (31 December 2006: 20.32 pence) is calculated by dividing the profit attributable to ordinary shares and potentially dilutive ordinary shares from total operations of £19,705,000 (30 June 2006: £17,467,000) (31 December 2006: £29,080,000) by the weighted average number of shares in issue during the period of 142,799,251 (30 June 2006: 143,001,830) (31 December 2006: 142,949,818) plus dilutive shares of 307,003 (30 June 2006: 96,345) (31 December 2006: 152,430) which totals 143,106,254 (30 June 2006: 143,098,175) (31 December 2006: 143,102,248).

Weighted average number of ordinary shares (diluted)

	Half year ended June		Year ended December
	2007	2006	2006
	£'000	£'000	£'000
Weighted average number of ordinary shares	**142,799,251**	143,001,830	142,949,818
Effect of share transfer	**307,003**	96,345	152,430
Weighted average number of ordinary shares (diluted)	**143,106,254**	143,098,175	143,102,248

5. Dividends

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

	Half year ended June		Year ended December
	2007	2006	2006
	£'000	£'000	£'000
8.85 pence per qualifying ordinary share (30 June 2006: 8.40 pence, 31 December 2006: 12.70 pence)	**12,665**	12,010	18,158

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		Year ended December
	2007	2006	2006
	£'000	£'000	£'000
4.55 pence (30 June 2006: 4.30 pence, 31 December 2006: 8.85 pence)	**6,511**	6,154	12,665

Notes to the Consolidated Interim Financial Statements (continued)

6. Notes to the cash flow statement

	Half year ended June 2007 £'000	Half year ended June 2006 £'000	Year ended December 2006 £'000
Cash flows from operating activities			
Profit before tax	**27,387**	25,095	41,703
Adjustments for:			
Depreciation	**10,180**	9,750	19,530
Amortisation	**240**	160	357
Negative goodwill	**(700)**	-	-
(Gain)/loss on sale of property, plant and equipment	**(1,846)**	(39)	66
Gain/(loss) in hedging instrument	**2**	(2)	-
Equity settled share based expenses	**456**	-	250
Financial income and expenses (net)	**3,110**	3,165	6,058
Operating cash flow before changes in working capital, provisions and pension scheme contributions	**38,829**	38,129	67,964
(Increase)/decrease in trade and other receivables	**(31,091)**	(26,940)	2,323
(Increase) in inventories	**(5,633)**	(1,039)	(53)
Increase/(decrease) in trade and other payables	**13,001**	9,050	(3,197)
Increase/(decrease) in employee benefits	**-**	1,117	(2,968)
Pension scheme contributions	**(1,100)**	-	(10,000)
Cash generated from the operations	**14,006**	20,317	54,069
Financial expenses paid	**(3,116)**	(2,338)	(4,265)
Non equity dividends paid	**(44)**	(105)	(149)
Income tax paid	**(3,725)**	(5,415)	(10,809)
Net cash flow from operating activities	**7,121**	12,459	38,846
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment (net of costs)	**1,538**	125	565
Financial income received	**6**	4	44
Acquisition of subsidiaries	**(11,540)**	(1,000)	(4,157)
Bank (overdraft)/balance acquired with subsidiaries	**(239)**	-	79
Acquisition of property, plant and equipment	**(13,605)**	(11,726)	(24,564)
Net cash flow from investing activities	**(23,840)**	(12,597)	(28,033)

6. Notes to the cash flow statement (continued)

	Half year ended June		Year ended December
	2007	2006	2006
	£'000	£'000	£'000
Cash flows from financing activities			
Proceeds from issue of share capital	**2**	43	43
Payments to acquire own shares	**(1,827)**	(305)	(453)
Increase/(decrease) in other debt and lease financing	**350**	(181)	(302)
Redemption of B shares	**(312)**	(687)	(848)
New loans issued	**10,400**	-	2,758
Payment of transaction costs	**-**	(30)	(40)
Equity dividends paid	**-**	-	(18,158)
Net cash flow from financing activities	**8,613**	(1,160)	(17,000)

7. Analysis of net debt

	1 January 2007	Cash flow	Other non cash changes	**30 June 2007**
	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	22	45	-	**67**
Overdrafts	(999)	(8,151)	-	**(9,150)**
	(977)	(8,106)	-	**(9,083)**
Debt due within one year	(3,423)	(10,400)	-	**(13,823)**
Debt due after one year	(50,000)	-	-	**(50,000)**
Finance leases	(206)	236	(586)	**(556)**
	(54,606)	(18,270)	(586)	**(73,462)**

8. Comparative information

The comparative figures for the financial year ended 31 December 2006 are not the Company's statutory financial statements for that financial year. Those financial statements have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors 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.

Independent 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 for the six months ended 30 June 2007 which comprises the Consolidated Interim Income Statement, the Consolidated Interim Balance Sheet, the Consolidated Interim Cash Flow Statement, the Consolidated Interim Statement of Recognised Income and Expenses and the related notes. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the 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 of the Financial Services Authority 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 any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the UK. A review consists principally of making enquiries of 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 excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Statements on Auditing (UK and Ireland) 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 2007.

KPMG Audit Plc

Chartered Accountants
Leeds
7 September 2007

Shareholder Information

Financial calendar

Interim results for the year ending December 2007	Announced	7 September 2007
Interim dividend for the year ending December 2007	Payable	5 December 2007
Results for the year ending December 2007	Announcement	Early March 2008
Report and accounts for the year ending December 2007		April 2008
Annual General Meeting		May 2008
Final dividend for the year ending December 2007	Payable	July 2008

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

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