Delivering the 2020 Strategy

Marshalls plc Half Year Report 2017

Marshalls

Highlights

Financial highlights

- Revenue up 8% to £219.1 million (2016: £202.4 million)
- EBITDA up 13% to £36.7 million (2016: £32.4 million)
- Continued improvement in operating margins to 13.6% (2016: 12.8%)
- Profit before tax up 16% to £29.1 million (2016: £25.1 million)
- Strong operating cash flow with sustainable working capital improvements
- Return on capital employed for the 12 months ended 30 June 2017 up 19% (380 basis points) to 23.7% (2016: 19.9%)
- EPS up 16% to 12.04 pence (2016: 10.36 pence)
- Interim dividend increased by 17% to 3.40 pence (2016: 2.90 pence) per share
- Net cash of £1.2 million, after payment of £17.4 million final and supplementary dividend (30 June 2016: £8.8 million net debt)
- The Board remains confident of delivering its expectations for 2017

The 2020 Strategy remains on track:

- EBITDA growth continues alongside improved ROCE and strengthened brand
- Self help programme well advanced
- Organic capital investment continues
- Research and development expenditure increased in the period
- Smaller UK Businesses increased profitability
- Focus on innovation and new product development driving sales growth, particularly in Commercial
- Digital strategy driving real benefits across the business
- Acquisition targets continue to be pursued

Revenue £'m

£219.1m **+8%**

17	219.1
16	202.4
15	199.1

EBITDA £'m

£36.7m **+13%**

17	36.7
16	32.4
15	29.7

Operating profit £'m

£29.8m **+15%**

17	29.8
16	26.0
15	22.0

Profit before tax £'m

£29.1m **+16%**

17	29.1
16	25.1
15	20.8

Return on capital employed %

23.7% **+19%**

17	23.7
16	19.9
15	15.2

EPS p

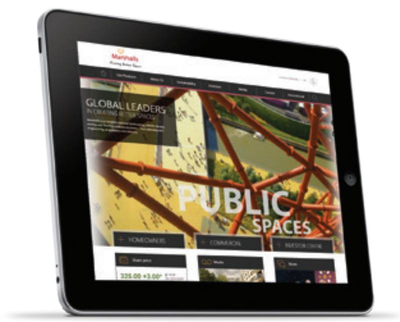
12.04p **+16%**

17	12.04
16	10.36
15	8.50

Interim dividend per share p

3.40p **+17%**

17	3.40
16	2.90
15	2.25



Find out more online
www.marshalls.co.uk

Find us on Facebook **MarshallsGroup**

Follow us on Twitter **@MarshallsGroup**

Follow us on LinkedIn **Marshalls**

Follow us on YouTube **MarshallsTV**

Delivering growth

The Group's focus remains the delivery of the growth initiatives set out in the 2020 Strategy, whilst maintaining a strong balance sheet and a flexible capital structure.

Summary

- Profit before tax up 16% to £29.1 million with margin growth from improved operational efficiency.
- Strong operating cash flow with positive cash of £1.2 million at 30 June 2017.
- Delivering the 2020 Strategy.
- Continuing investment in new product development.
- Self help capital investment programme well advanced.
- Digital strategy delivering real benefits.

Group results

Marshalls' revenue for the 6 months ended 30 June 2017 grew by 8 per cent to £219.1 million (2016: £202.4 million). The Group has continued to experience strong order intake with the underlying indicators remaining positive in Marshalls' end markets. The Group's positive cash generation has continued.

Sales to the Domestic end market continued to grow particularly strongly and increased by 17 per cent compared with the prior year period. Domestic sales now represent approximately 34 per cent of Group sales. The survey of domestic installers at the end of June 2017 revealed continuing strong order books of 11.9 weeks (June 2016: 11.7 weeks).

Sales to the Public Sector and Commercial end market, which represent approximately 60 per cent of Group sales, increased by 3 per cent compared with the prior year period. The Group continues to target those parts of the market where higher levels of growth are anticipated including New Build Housing, Water Management and Rail.

Sales in the International business increased by 25 per cent in the 6 months ended 30 June 2017 and represent 6 per cent of Group sales. Revenue increased in all our main International markets with the new sales office in Dubai having a positive impact on sales and order generation in the Middle East. Ongoing progress is being made to develop our International business and the Group continues to improve its global infrastructure, supply chains and routes to market.

Operating profit increased to £29.8 million (2016: £26.0 million) and EBITDA improved to £36.7 million (2016: £32.4 million).

Group return on capital employed ("ROCE") was 23.7 per cent for the 12 months ended 30 June 2017, which represents an increase of 380 basis points compared with the prior year. ROCE is defined as EBITA divided by shareholders' funds plus cash / net debt.

Net financial expenses were £0.7 million (2016: £0.8 million) and interest was covered 42.4 times (2016: 31.4 times). The effective tax rate was 18.8 per cent (2016: 19.1 per cent).

Basic EPS was 12.04 pence (2016: 10.36 pence) per share. The interim dividend will be 3.40 pence (2016: 2.90 pence) per share, an increase of 17 per cent, reflecting the strong cash generation and the Group's continuing strategy of maintaining a progressive dividend policy.

> "The Group continues to outperform the CPA growth figures and the underlying short to medium-term market indicators remain supportive. The CPA's 2018 forecast has recently been reduced which reflects the continuing wider economic uncertainty.

Group results *continued*

The Group continues to deliver strong operational cash flows through the ongoing tight control of inventory and effective management of working capital. Significant cash generation has seen the Group move to a net cash position of £1.2 million at 30 June 2017. This cash position compares with net debt of £8.8 million at 30 June 2016 and is after the payment of the 2016 final and supplementary dividends of £17.4 million made to shareholders on 30 June 2016. The equivalent dividends for the prior period were paid on 8 July 2016. The intention is to normalise this payment being made during the first half of the year going forward. Consequently, the net cash position at 30 June 2017 represents a like-for-like improvement of £27.4 million, compared with the prior year.

2020 Strategy

Good progress continues to be made delivering the growth objectives of the 2020 Strategy and increasing the Group's ROCE. The Group is continuing to invest in the Marshalls brand and to prioritise organic capital expenditure projects. We continue to increase research and development and new product development, which are delivering an encouraging pipeline of new products. The 2020 Strategy remains driven by a focus on innovation and new product development, and the aim is to extend the product range and provide more integrated solutions to improve the customer experience and differentiate the Marshalls brand.

Our strategy looks to maintain a strong balance sheet, a flexible capital structure and a clear capital allocation policy that both drives growth and rewards shareholders. Our acquisition focus remains centred on Minerals and the protective Street Furniture and Water Management markets. We have identified a good pipeline of potential acquisition targets but remain selective and will not compromise on the investment criteria and the hurdle rates we have in place.

The Group's key priority is to deliver improvements in profit margins across all businesses and end markets through the continued focus on service, quality, design, innovation and a commitment to research and development and sustainability, with the ultimate aim of driving through sustainable cost reductions and improvements in operational efficiency.

Marshalls' digital strategy is increasing in its importance across all Group operations. The strategy combines digital trading, digital marketing and digital business and is focused on the customer experience and the key touchpoints therein. Web and mobile applications increasingly allow the customer to model their requirements, allow digital access to the registered installer base and allow real-time visibility of stock. The Marshalls Premier Mortars "Ordering App" is a good example of how our digital strategy is driving growth through changing technology and working practices.

Operating performance

Operating margins increased to 13.6 per cent in the 6 months ended 30 June 2017 (2016: 12.8 per cent), representing an improvement of 6.3 per cent year on year and reflecting improved operational efficiency in line with our 2020 Strategy.

Revenue increased by £15.8 million and operating profit by £3.4 million in the Landscape Products business, which serves both the Public Sector and Commercial and Domestic end markets. The increase in operating margins within the Landscape Products business is due to the delivery of sustainable cost reductions and operational efficiency improvements in line with our 2020 Strategy. Revenue in the Smaller UK Businesses for the 6 months ended 30 June 2017 decreased by £1.8 million compared with the prior period, primarily due to specific short-term issues in part of the Minerals business. However, despite the decrease in revenue, operating profit in the Smaller UK Businesses increased by 5 per cent. Increasing profitability in the Smaller UK Businesses is a key part of the 2020 Strategy and Street Furniture, Mineral Products and Stone Cladding remain important growth drivers for the Group.

In the Domestic end market, the Group continues to drive more sales through the Marshalls Register of approved domestic installers. The number of installer teams continues to grow and is now approximately 2,000. The Group remains committed to improving the product mix and to achieving a consistently high standard of quality, customer service and marketing support. The new rules regarding pension fund release continue to support growth in the Domestic end market with the total value of cash release from pensions continuing to grow. The average individual cash withdrawal from pension funds is around £9,000. The average cost of an installed driveway or patio is between £5,000 and £6,000 and this remains a popular use of pensions release funds.

In the Public Sector and Commercial end market, Marshalls' continuing strategy is to enhance its market leading position as a landscape products specialist. The Group's experienced technical and sales teams continue to promote a full range of integrated products and sustainable solutions to customers, architects and contractors. Commercial market confidence indicators have continued to improve over the last 12 months and the ABI's hard landscape lead indicator shows demand increasing over the next year. This indicator consolidates planning information for all the sub-sectors requiring hard landscaping. On average, there is a 12-month lag between contracts being awarded and the landscape products being required, so this provides 12-month advance information on likely future demand. The ABI continues to highlight Transport, Residential and Landscaping as the leading growth areas, which is firmly in line with the key focus areas of the Group's 2020 Strategy.

As a key part of the 2020 Strategy, the Group continues to focus on innovation and new product development to drive sales growth. Research and development expenditure in the 6 months ended 30 June 2017 was £1.7 million (2016: £1.6 million). Investment in research and development includes project engineering to enhance manufacturing capabilities, concrete and other materials technology innovations and extending the new product pipeline. Keypave and Urbex are 2 examples of recent successful new product solutions for the New Build Housing sector. Revenue from new products in the core Landscape Products business continues to strengthen and represented 14 per cent of Group sales in the 6 months ended 30 June 2017.

The Group's previously announced self help capital investment programme is an important part of our 2020 Strategy and will incur additional capital expenditure of £15 million over the next 3 years. The 2017 financial year is the first year of this enhanced investment, which is expected to deliver sustainable cost savings of £5 million per annum by 2019. The detailed plan is on track and progressing well. The programme includes various projects within natural stone, block paving and automated material handling. Capital investment in property, plant and equipment in the 6 months ended 30 June 2017 totalled £7.9 million (2016: £5.8 million) and this compares with depreciation of £6.4 million (2016: £5.9 million).

Balance Sheet and Cash Flow

Net assets at 30 June 2017 were £222.6 million (June 2016: £204.9 million).

In the 6 months ended 30 June 2017 net cash flows from operating activities were £19.2 million (2016: £9.3 million). This strong cash generation delivered a net cash position of £18.6 million at 30 June 2017, before the dividend payments referred to above, and a reported post dividend net cash balance of £1.2 million (June 2016: £8.8 million net debt). The Group continues to focus on maintaining a strong balance sheet supported by robust capital disciplines. Strong cash management continues to be a high priority area. The Group operates tight control over business, operational and financial procedures, and continues to focus on inventory levels and the management of capital expenditure and trade receivables.

The Group's existing bank facilities ensure headroom against available facilities remains at appropriately conservative levels. Our committed facilities are currently in the process of being extended by 1 year to 2022 to enhance the maturity profile and, on 1 August 2017, the Group also renewed its short-term working capital facilities with RBS. Marshalls maintains a policy of having significant committed facilities in place with a positive spread of medium-term maturities. We have also secured additional facilities with our banking partners which would be available to fund "bolt-on" acquisitions.

The balance sheet value of the Group's defined benefit pension scheme was a surplus of £3.6 million at 30 June 2017 (December 2016: £4.3 million surplus; June 2016: £7.9 million surplus). The surplus has been determined by the Scheme actuary using assumptions that are considered to be prudent and in line with current market levels. During the last 6 months, the AA corporate bond rate reduced from 2.65 per cent to 2.55 per cent, in line with market movements. The expected rate of inflation reduced to 2.15 per cent from 2.20 per cent at 31 December 2016. The balance sheet value continues to benefit from the high proportion of liability-driven investments whose performance matches the liabilities.

The Group has established a new defined contribution pension scheme within a Master Trust operated by Aviva / Friends Life. The new Marshalls Retirement and Savings Plan was launched on 1 April 2017 and the transition process is now complete. This will provide a much improved pension proposition for the majority of Group employees.

Dividend

The Group has a progressive dividend policy with a stated objective of achieving up to 2 times dividend cover over the business cycle. The Board has declared an interim dividend of 3.40 pence (June 2016: 2.90 pence) per share, an increase of 17 per cent, which reflects the Group's strong cash generation. This dividend will be paid on 6 December 2017 to shareholders on the register at the close of business on 20 October 2017. The ex-dividend date will be 19 October 2017.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining 6 months of the financial year and could cause actual results to differ materially from expected and historical results. The Board does not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 December 2016. A detailed explanation of the risks, and how the Group seeks to mitigate these risks, can be found on pages 20 to 24 of the 2016 Annual Report which is available at www.marshalls.co.uk/investor/annual-and-interim-reports

Going concern

As stated in Note 1 of the 2017 Half Year Report, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Half Year Report.

Outlook

The Construction Products Association's ("CPA") recent Summer Forecast predicts growth in UK market volumes of 1.9 per cent in 2017, which represents a slight improvement on their Spring Forecast. The Group continues to outperform the CPA growth figures and the underlying short to medium-term market indicators remain supportive. The CPA's 2018 forecast has recently been reduced, which reflects the continuing wider economic uncertainty.

The Group continues to invest in product innovation and service delivery initiatives and is well placed to drive through further sustainable improvements in operational efficiency gains. The Board believes that Marshalls' innovative product range and strong market positions will continue to support growth and operational profit improvements during the delivery of the 2020 Strategy and will drive future shareholder returns. The Group's focus remains the delivery of the growth initiatives set out in the 2020 Strategy, whilst maintaining a strong balance sheet and a flexible capital structure.

The Board remains confident of achieving its expectations for 2017.

Martyn Coffey
Chief Executive

Condensed Consolidated Income Statement

for the half year ended 30 June 2017

	Notes	Half year ended June 2017 £'000	2016 £'000	Year ended December 2016 £'000
Revenue	2	**219,131**	202,371	396,922
Net operating costs	3	**(189,299)**	(176,402)	(349,283)
Operating profit	2	**29,832**	25,969	47,639
Financial expenses	4	**(703)**	(826)	(1,594)
Financial income	4	**–**	–	1
Profit before tax	2	**29,129**	25,143	46,046
Income tax expense	5	**(5,477)**	(4,812)	(8,539)
Profit for the financial period		**23,652**	20,331	37,507
Profit for the period				
Attributable to:				
Equity shareholders of the Parent		**23,779**	20,411	37,350
Non-controlling interests		**(127)**	(80)	157
		23,652	20,331	37,507
Earnings per share				
Basic	6	**12.04p**	10.36p	18.95p
Diluted	6	**11.94p**	10.22p	18.61p
Dividend				
Pence per share	7	**5.80p**	4.75p	7.65p
Supplementary		**3.00p**	2.00p	2.00p
Dividends declared	7	**17,387**	13,314	19,034

All results relate to continuing operations.

Condensed Consolidated Statement of Comprehensive Income

for the half year ended 30 June 2017

	Half year ended June		Year ended December
	2017 £'000	2016 £'000	2016 £'000
Profit for the financial period	**23,652**	20,331	37,507
Other comprehensive (expense) / income			
Items that will not be reclassified to the Income Statement:			
Remeasurement of the net defined benefit liability	**(517)**	4,759	1,394
Deferred tax arising	**88**	(857)	(237)
Total items that will not be reclassified to the Income Statement	**(429)**	3,902	1,157
Items that are or may in the future be reclassified to the Income Statement:			
Effective portion of changes in fair value of cash flow hedges	**(704)**	412	1,123
Fair value of cash flow hedges transferred to the Income Statement	**(251)**	1,220	1,681
Deferred tax arising	**159**	(327)	(561)
Exchange difference on retranslation of foreign currency net investment	**135**	2,275	2,729
Exchange movements associated with borrowings	**(412)**	(2,158)	(2,641)
Foreign currency translation differences – non-controlling interests	**213**	137	169
Total items that are or may be reclassified subsequently to the Income Statement	**(860)**	1,559	2,500
Other comprehensive (expense) / income for the period, net of income tax	**(1,289)**	5,461	3,657
Total comprehensive income for the period	**22,363**	25,792	41,164
Attributable to:			
Equity shareholders of the Parent	**22,277**	25,735	40,838
Non-controlling interests	**86**	57	326
	22,363	25,792	41,164

Condensed Consolidated Balance Sheet

as at 30 June 2017

		June		December
	Notes	**2017 £'000**	2016 £'000	2016 £'000
Assets				
Non-current assets				
Property, plant and equipment		**147,514**	147,736	146,995
Intangible assets		**40,386**	40,091	40,093
Trade and other receivables		**208**	415	208
Employee benefits	8	**3,622**	7,892	4,276
Deferred taxation assets		**2,390**	1,364	1,821
		194,120	197,498	193,393
Current assets				
Inventories		**70,380**	67,448	68,713
Trade and other receivables		**74,295**	65,847	49,010
Cash and cash equivalents		**26,862**	25,631	20,681
Assets classified as held for sale		**–**	2,519	624
Derivative financial instruments		**–**	–	657
		171,537	161,445	139,685
Total assets		**365,657**	358,943	333,078
Liabilities				
Current liabilities				
Trade and other payables		**96,818**	98,071	79,646
Corporation tax		**7,555**	6,887	7,388
Interest-bearing loans and borrowings		**34**	33	34
Derivative financial instruments		**276**	515	–
		104,683	105,506	87,068
Non-current liabilities				
Interest-bearing loans and borrowings		**25,669**	34,425	15,234
Deferred taxation liabilities		**12,669**	14,142	13,655
		38,338	48,567	28,889
Total liabilities		**143,021**	154,073	115,957
Net assets		**222,636**	204,870	217,121
Equity				
Capital and reserves attributable to equity shareholders of the Parent				
Share capital		**49,845**	49,845	49,845
Share premium account		**22,695**	22,695	22,695
Own shares		**(2,470)**	(3,664)	(3,622)
Capital redemption reserve		**75,394**	75,394	75,394
Consolidation reserve		**(213,067)**	(213,067)	(213,067)
Hedging reserve		**(206)**	(348)	590
Retained earnings		**288,894**	272,819	283,821
Equity attributable to equity shareholders of the Parent		**221,085**	203,674	215,656
Non-controlling interests		**1,551**	1,196	1,465
Total equity		**222,636**	204,870	217,121

Condensed Consolidated Cash Flow Statement

for the half year ended 30 June 2017

	Half year ended June		Year ended December
	2017 £'000	2016 £'000	2016 £'000
Cash flows from operating activities			
Profit for the financial period	**23,652**	20,331	37,507
Income tax expense	**5,477**	4,812	8,539
Profit before tax	**29,129**	25,143	46,046
Adjustments for:			
Depreciation	**6,438**	5,916	12,146
Amortisation	**501**	496	1,009
Gain on sale of property, plant and equipment	**(870)**	(86)	(609)
Equity settled share-based expenses	**736**	629	2,884
Financial income and expenses (net)	**703**	826	1,593
Operating cash flow before changes in working capital	**36,637**	32,924	63,069
Increase in trade and other receivables	**(24,569)**	(21,120)	(4,602)
Increase in inventories	**(1,469)**	(1,308)	(2,419)
Increase in trade and other payables	**14,842**	3,098	1,868
Operational restructuring costs paid	**–**	–	(476)
Cash generated from operations	**25,441**	13,594	57,440
Financial expenses paid	**(513)**	(579)	(940)
Income tax paid	**(5,723)**	(3,665)	(7,107)
Net cash flow from operating activities	**19,205**	9,350	49,393
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**4,171**	490	3,839
Financial income received	**–**	–	1
Acquisition of property, plant and equipment	**(7,922)**	(5,764)	(12,939)
Acquisition of intangible assets	**(794)**	(419)	(934)
Net cash flow from investing activities	**(4,545)**	(5,693)	(10,033)
Cash flows from financing activities			
Payments to acquire own shares	**(1,054)**	(1,175)	(1,175)
Decrease in other debt and finance leases	**–**	–	(40)
Increase / (decrease) in borrowings	**10,000**	(1,997)	(23,791)
Equity dividends paid	**(17,387)**	–	(19,034)
Net cash flow from financing activities	**(8,441)**	(3,172)	(44,040)
Net increase / (decrease) in cash and cash equivalents	**6,219**	485	(4,680)
Cash and cash equivalents at the beginning of the period	**20,681**	24,990	24,990
Effect of exchange rate fluctuations	**(38)**	156	371
Cash and cash equivalents at the end of the period	**26,862**	25,631	20,681

Condensed Consolidated Statement of Changes in Equity

for the half year ended 30 June 2017

	Attributable to equity holders of the Company									
	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolidation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Current half year										
At 1 January 2017	**49,845**	**22,695**	**(3,622)**	**75,394**	**(213,067)**	**590**	**283,821**	**215,656**	**1,465**	**217,121**
Total comprehensive income / (expense) for the period										
Profit / (loss) for the financial period attributable to equity shareholders of the Parent	**–**	**–**	**–**	**–**	**–**	**–**	**23,779**	**23,779**	**(127)**	**23,652**
Other comprehensive income / (expense)										
Foreign currency translation differences	**–**	**–**	**–**	**–**	**–**	**–**	**(277)**	**(277)**	**213**	**(64)**
Effective portion of changes in fair value of cash flow hedges	**–**	**–**	**–**	**–**	**–**	**(704)**	**–**	**(704)**	**–**	**(704)**
Net change in fair value of cash flow hedges transferred to the Income Statement	**–**	**–**	**–**	**–**	**–**	**(251)**	**–**	**(251)**	**–**	**(251)**
Deferred tax arising	**–**	**–**	**–**	**–**	**–**	**159**	**–**	**159**	**–**	**159**
Defined benefit plan actuarial loss	**–**	**–**	**–**	**–**	**–**	**–**	**(517)**	**(517)**	**–**	**(517)**
Deferred tax arising	**–**	**–**	**–**	**–**	**–**	**–**	**88**	**88**	**–**	**88**
Total other comprehensive (expense) / income	**–**	**–**	**–**	**–**	**–**	**(796)**	**(706)**	**(1,502)**	**213**	**(1,289)**
Total comprehensive (expense) / income for the period	**–**	**–**	**–**	**–**	**–**	**(796)**	**23,073**	**22,277**	**86**	**22,363**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**736**	**736**	**–**	**736**
Deferred tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**702**	**702**	**–**	**702**
Corporation tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**155**	**155**	**–**	**155**
Dividends to equity shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**(17,387)**	**(17,387)**	**–**	**(17,387)**
Purchase of own shares	**–**	**–**	**(1,054)**	**–**	**–**	**–**	**–**	**(1,054)**	**–**	**(1,054)**
Disposal of own shares	**–**	**–**	**2,206**	**–**	**–**	**–**	**(2,206)**	**–**	**–**	**–**
Total contributions by and distributions to owners	**–**	**–**	**1,152**	**–**	**–**	**–**	**(18,000)**	**(16,848)**	**–**	**(16,848)**
Total transactions with owners of the Company	**–**	**–**	**1,152**	**–**	**–**	**(796)**	**5,073**	**5,429**	**86**	**5,515**
At 30 June 2017	**49,845**	**22,695**	**(2,470)**	**75,394**	**(213,067)**	**(206)**	**288,894**	**221,085**	**1,551**	**222,636**

Condensed Consolidated Statement of Changes in Equity *continued*

for the half year ended 30 June 2017

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolidation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
	Attributable to equity holders of the Company									
Prior half year										
At 1 January 2016	49,845	22,695	(5,529)	75,394	(213,067)	(1,653)	263,894	191,579	1,139	192,718
Total comprehensive income / (expense) for the period										
Profit / (loss) for the financial period attributable to equity shareholders of the Parent	–	–	–	–	–	–	20,411	20,411	(80)	20,331
Other comprehensive income / (expense)										
Foreign currency translation differences	–	–	–	–	–	–	117	117	137	254
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	412	–	412	–	412
Net change in fair value of cash flow hedges transferred to the Income Statement	–	–	–	–	–	1,220	–	1,220	–	1,220
Deferred tax arising	–	–	–	–	–	(327)	–	(327)	–	(327)
Defined benefit plan actuarial gain	–	–	–	–	–	–	4,759	4,759	–	4,759
Deferred tax arising	–	–	–	–	–	–	(857)	(857)	–	(857)
Total other comprehensive income	–	–	–	–	–	1,305	4,019	5,324	137	5,461
Total comprehensive income for the period	–	–	–	–	–	1,305	24,430	25,735	57	25,792
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	–	–	–	–	–	–	629	629	–	629
Corporation tax on share-based payments	–	–	–	–	–	–	220	220	–	220
Dividends to equity shareholders	–	–	–	–	–	–	(13,314)	(13,314)	–	(13,314)
Purchase of own shares	–	–	(1,175)	–	–	–	–	(1,175)	–	(1,175)
Disposal of own shares	–	–	3,040	–	–	–	(3,040)	–	–	–
Total contributions by and distributions to owners	–	–	1,865	–	–	–	(15,505)	(13,640)	–	(13,640)
Total transactions with owners of the Company	–	–	–	–	–	1,305	8,925	12,095	57	12,152
At 30 June 2016	49,845	22,695	(3,664)	75,394	(213,067)	(348)	272,819	203,674	1,196	204,870

Condensed Consolidated Statement of Changes in Equity *continued*

for the half year ended 30 June 2017

	Attributable to equity holders of the Company									
	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolidation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Prior year										
At 1 January 2016	49,845	22,695	(5,529)	75,394	(213,067)	(1,653)	263,894	191,579	1,139	192,718
Total comprehensive income for the year										
Profit for the financial period attributable to equity shareholders of the Parent	–	–	–	–	–	–	37,350	37,350	157	37,507
Other comprehensive income / (expense)										
Foreign currency translation differences	–	–	–	–	–	–	88	88	169	257
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	1,123	–	1,123	–	1,123
Net change in fair value of cash flow hedges transferred to the Income Statement	–	–	–	–	–	1,681	–	1,681	–	1,681
Deferred tax arising	–	–	–	–	–	(561)	–	(561)	–	(561)
Defined benefit plan actuarial gain	–	–	–	–	–	–	1,394	1,394	–	1,394
Deferred tax arising	–	–	–	–	–	–	(237)	(237)	–	(237)
Total other comprehensive income	–	–	–	–	–	2,243	1,245	3,488	169	3,657
Total comprehensive income for the year	–	–	–	–	–	2,243	38,595	40,838	326	41,164
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	–	–	–	–	–	–	2,884	2,884	–	2,884
Deferred tax on share-based payments	–	–	–	–	–	–	122	122	–	122
Corporation tax on share-based payments	–	–	–	–	–	–	442	442	–	442
Dividends to equity shareholders	–	–	–	–	–	–	(19,034)	(19,034)	–	(19,034)
Purchase of own shares	–	–	(1,175)	–	–	–	–	(1,175)	–	(1,175)
Disposal of own shares	–	–	3,082	–	–	–	(3,082)	–	–	–
Total contributions by and distributions to owners	–	–	1,907	–	–	–	(18,668)	(16,761)	–	(16,761)
Total transactions with owners of the Company	–	–	1,907	–	–	2,243	19,927	24,077	326	24,403
At 31 December 2016	49,845	22,695	(3,622)	75,394	(213,067)	590	283,821	215,656	1,465	217,121

Notes to the Condensed Consolidated Financial Statements
for the half year ended 30 June 2017

1. Basis of preparation

Marshalls plc (the "Company") is a company domiciled in the United Kingdom. The Condensed Consolidated Financial Statements of the Company for the half year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

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

The Condensed Consolidated Financial Statements do not constitute statutory financial statements and do not include all the information and disclosures required for full annual financial statements. The Condensed Consolidated Half Year Financial Statements were approved by the Board on 17 August 2017. The Condensed Consolidated Half Year Financial Statements are not statutory accounts as defined by Section 434 of the Companies Act 2006.

The Condensed Consolidated Financial Statements for the half year ended 30 June 2017 and the comparative period have not been audited. The Auditor has carried out a review of the Half Year Financial Information and its report is set out on page 23.

The financial information for the year ended 31 December 2016 has been extracted from the annual Financial Statements, included in the Annual Report 2016, which has been filed with the Registrar of Companies. The report of the Auditor was: (i) unqualified; (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying its report; and (iii) did not contain a statement under Section 498 (2) and (3) of the Companies Act 2006.

The annual Financial Statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. As required by the Disclosure and the Transparency Rules of the UK Financial Conduct Authority, the condensed set of Financial Statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published Consolidated Financial Statements for the year ended 31 December 2016.

The Condensed Consolidated Half Year Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and liabilities for cash settled share-based payments.

The accounting policies have been applied consistently throughout the Group for the purposes of these Condensed Consolidated Half Year Financial Statements and are also set out on the Company's website (www.marshalls.co.uk). The Condensed Consolidated Half Year Financial Statements are presented in Sterling, rounded to the nearest thousand.

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the 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 Year 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 2016.

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

Details of the Group's funding position are set out in Note 10 and are subject to normal covenant arrangements. The Group's on-demand overdraft facility is reviewed on an annual basis and the current arrangements were renewed and signed on 1 August 2017. Management believes that there are sufficient unutilised facilities held which mature after 12 months. The Group's performance is dependent on economic and market conditions, the outlook for which is difficult to predict. Based on current expectations, the Group's cash forecasts continue to meet half year and year end bank covenants and there is adequate headroom that is not dependent on facility renewals. After considering relevant uncertainties, the Directors believe that the Group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Consolidated Half Year Financial Statements.

2. Segmental analysis

IFRS 8 *"Operating Segments"* requires operating segments to be identified on the basis of discrete financial information about components of the Group that are regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") to allocate resources to the segments and to assess their performance. As far as Marshalls is concerned, the CODM is regarded as being the Executive Directors. The Directors have concluded that the detailed requirements of IFRS 8 support the reporting of the Group's Landscape Products business as a reportable segment, which includes the UK operations of the Marshalls Landscape Products hard landscaping business, servicing both the UK Domestic and the UK Public Sector and Commercial end markets. Financial information for Landscape Products is reported to the Group's CODM for the assessment of segmental performance and to facilitate resource allocation.

The Landscape Products reportable segment operates a national manufacturing plan that is structured around a series of production units throughout the UK, in conjunction with a single logistics and distribution operation. A national planning process supports sales to both of the key end markets, namely the UK Domestic and UK Public Sector and Commercial end markets, and the operating assets produce and deliver a range of broadly similar products that are sold into each of these end markets. Within the Landscape Products operating segment, the focus is on the 1 integrated production, logistics and distribution network supporting both end markets.

Included in "Other" are the Group's Street Furniture, Mineral Products, Stone Cladding and International operations, which do not currently meet the IFRS 8 reporting requirements.

Segment revenues and results

	Half year ended June 2017			Half year ended June 2016			Year ended December 2016		
	Landscape Products £'000	**Other £'000**	**Total £'000**	Landscape Products £'000	Other £'000	Total £'000	Landscape Products £'000	Other £'000	Total £'000
External revenue	**163,924**	**57,624**	**221,548**	148,057*	55,984*	204,041	293,287*	106,883*	400,170
Inter-segment revenue	**(92)**	**(2,325)**	**(2,417)**	(58)	(1,612)	(1,670)	(89)	(3,159)	(3,248)
Total revenue	**163,832**	**55,299**	**219,131**	147,999*	54,372*	202,371	293,198*	103,724*	396,922
Segment operating profit	**31,067**	**2,708**	**33,775**	25,772*	2,243*	28,015	48,678*	4,920*	53,598
Unallocated administration costs			**(3,943)**			(2,046)			(5,959)
Operating profit			**29,832**			25,969			47,639
Finance charges (net)			**(703)**			(826)			(1,593)
Profit before tax			**29,129**			25,143			46,046
Taxation			**(5,477)**			(4,812)			(8,539)
Profit after tax			**23,652**			20,331			37,507

* Following a change to the way in which information is reported internally, the comparative figures have been restated to ensure consistent classification with the analysis reported for the Half Year ended 30 June 2017.

The accounting policies of the Landscape Products operating segment are the same as the Group's accounting policies.

Segment profit represents the profit earned without allocation of certain administration costs that are not capable of allocation. Centrally administered overhead costs that relate directly to the reportable segment are included within the segment's results.

Segment assets

	June 2017 £'000	June 2016 £'000	December 2016 £'000
Fixed assets and inventory:			
Landscape Products	**152,538**	148,392*	152,900*
Other	**65,357**	66,792*	62,808*
Total segment fixed assets and inventory	**217,895**	215,184	215,708
Unallocated assets	**147,762**	143,759	117,370
Consolidated total assets	**365,657**	358,943	333,078

* Following a change to the way in which information is reported internally, the comparative figures have been restated to ensure consistent classification with the analysis reported for the Half Year ended 30 June 2017.

For the purpose of monitoring segment performance and allocating performance between segments, the Group's CODM monitors the property, plant and equipment and inventory. Assets used jointly by reportable segments are not allocated to individual reportable segments.

2. Segmental analysis *continued*

Other segment information

	Depreciation and amortisation			Fixed asset additions		
	Half year ended June		Year ended December	Half year ended June		Year ended December
	2017 £'000	2016 £'000	2016 £'000	**2017 £'000**	2016 £'000	2016 £'000
Landscape Products	**4,988**	4,581*	9,200*	**8,376**	4,703*	9,131*
Other	**1,951**	1,831*	3,955*	**451**	993*	3,883*
	6,939	6,412	13,155	**8,827**	5,696	13,014

* Following a change to the way in which information is reported internally, the comparative figures have been restated to ensure consistent classification with the analysis reported for the Half Year ended 30 June 2017.

Geographical destination of revenue

	Half year ended June		Year ended December
	2017 £'000	2016 £'000	2016 £'000
United Kingdom	**205,613**	191,645	377,659
Rest of the World	**13,518**	10,726	19,263
	219,131	202,371	396,922

The Group's revenue is subject to seasonal fluctuations resulting from demand from customers. In particular, demand is higher in the summer months. The Group manages the seasonal impact through the use of a seasonal working capital facility.

3. Net operating costs

	Half year ended June		Year ended December
	2017 £'000	2016 £'000	2016 £'000
Raw materials and consumables	**79,779**	76,547	142,011
Changes in inventories of finished goods and work in progress	**2,019**	(3,165)	2,591
Personnel costs	**51,086**	49,628	98,128
Depreciation	**6,438**	5,916	12,146
Amortisation of intangible assets	**501**	496	1,009
Own work capitalised	**(666)**	(782)	(1,381)
Other operating costs	**51,785**	48,660	97,069
Restructuring costs	**1,003**	–	476
Operating costs	**191,945**	177,300	352,049
Other operating income	**(1,776)**	(812)	(2,157)
Net gain on asset and property disposals	**(870)**	(86)	(609)
Net operating costs	**189,299**	176,402	349,283

4. Financial expenses and income

	Half year ended June		Year ended December
	2017 £'000	2016 £'000	2016 £'000
(a) Financial expenses			
Net interest expense on defined benefit pension scheme	**187**	244	445
Interest expense on bank loans, overdrafts and loan notes	**513**	579	1,143
Finance lease interest expense	**3**	3	6
	703	826	1,594
(b) Financial income			
Interest receivable and similar income	**–**	–	1

Net interest expense on the defined benefit pension scheme is disclosed net of Company recharges.

5. Income tax expense

	Half year ended June 2017 £'000	Half year ended June 2016 £'000	Year ended December 2016 £'000
Current tax expense			
Current year	**6,363**	5,946	10,611
Adjustments for prior years	**(289)**	(371)	(921)
	6,074	5,575	9,690
Deferred taxation expense			
Origination and reversal of temporary differences:			
Current year	**(478)**	(711)	(1,098)
Adjustments for prior years	**(119)**	(52)	(53)
Total tax expense	**5,477**	4,812	8,539

	Half year ended June 2017 %	Half year ended June 2017 £'000	Half year ended June 2016 %	Half year ended June 2016 £'000	Year ended December 2016 %	Year ended December 2016 £'000
Reconciliation of effective tax rate						
Profit before tax	**100.0**	**29,129**	100.0	25,143	100.0	46,046
Tax using domestic corporation tax rate	**19.2**	**5,608**	20.0	5,029	20.0	9,209
Impact of capital allowances in excess of depreciation	**0.5**	**136**	1.7	431	0.4	173
Short-term timing differences	**1.1**	**310**	(0.2)	(62)	1.0	480
Adjustment to tax charge in prior period	**(1.1)**	**(289)**	(1.5)	(371)	(2.0)	(921)
Expenses not deductible for tax purposes	**1.1**	**309**	2.2	548	1.6	749
Corporation tax charge for the year	**20.8**	**6,074**	22.2	5,575	21.0	9,690
Impact of capital allowances in excess of depreciation	**(1.9)**	**(545)**	(2.2)	(556)	(1.0)	(443)
Short-term timing differences	**0.1**	**30**	(0.2)	(56)	(0.1)	(66)
Pension scheme movements	**0.1**	**23**	–	–	0.3	127
Other items	**1.8**	**509**	(0.4)	(99)	(0.9)	(397)
Adjustment to tax charge in prior period	**(0.4)**	**(119)**	(0.2)	(52)	(0.1)	(53)
Impact of the change in the rate of corporation tax on deferred taxation	**(1.7)**	**(495)**	–	–	(0.7)	(319)
Total tax charge for the year	**18.8**	**5,477**	19.2	4,812	18.5	8,539

The net amount of deferred taxation credited to the Consolidated Statement of Comprehensive Income in the period was £247,000 credit (30 June 2016: £1,184,000 debit; 31 December 2016: £798,000 debit). The effective tax rate used is management's best estimate of the average annual effective tax rate expected for the full year, applied to pre-tax income for the 6-month period.

6. Earnings per share

Basic earnings per share of 12.04 pence (30 June 2016: 10.36 pence; 31 December 2016: 18.95 pence) per share is calculated by dividing the profit attributable to Ordinary Shareholders for the financial period after adjusting for non-controlling interests of £23,779,000 (30 June 2016: £20,411,000; 31 December 2016: £37,350,000) by the weighted average number of shares in issue during the period of 197,440,624 (30 June 2016: 197,013,990; 31 December 2016: 197,130,419).

Profit attributable to Ordinary Shareholders

	Half year ended June		Year ended December
	2017 £'000	2016 £'000	2016 £'000
Profit for the financial period	**23,652**	20,331	37,507
Result attributable to non-controlling interests	**127**	80	(157)
Profit attributable to Ordinary Shareholders	**23,779**	20,411	37,350

Weighted average number of Ordinary Shares

	Half year ended June		Year ended December
	2017 Number	2016 Number	2016 Number
Number of issued Ordinary Shares	**199,378,755**	199,378,755	199,378,755
Effect of shares transferred into employee benefit trust	**(1,938,131)**	(2,364,765)	(2,248,336)
Weighted average number of Ordinary Shares	**197,440,624**	197,013,990	197,130,419

Diluted earnings per share of 11.94 pence (30 June 2016: 10.22 pence; 31 December 2016: 18.61 pence) per share is calculated by dividing the profit for the financial period, after adjusting for non-controlling interests, of £23,779,000 (30 June 2016: £20,411,000; 31 December 2016: £37,350,000) by the weighted average number of shares in issue during the period of 197,440,624 (30 June 2016: 197,013,990; 31 December 2016: 197,130,419), plus potentially dilutive shares of 1,722,526 (30 June 2016: 2,629,255; 31 December 2016: 3,561,243), which totals 199,163,150 (30 June 2016: 199,643,245; 31 December 2016: 200,691,662).

Weighted average number of Ordinary Shares (diluted)

	Half year ended June		Year ended December
	2017 Number	2016 Number	2016 Number
Weighted average number of Ordinary Shares	**197,440,624**	197,013,990	197,130,419
Dilutive shares	**1,722,526**	2,629,255	3,561,243
Weighted average number of Ordinary Shares (diluted)	**199,163,150**	199,643,245	200,691,662

7. Dividends

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

		Half year ended June		Year ended December
	Pence per qualifying share	**2017 £'000**	2016 £'000	2016 £'000
2017 interim	3.40	**6,718**	–	–
2016 supplementary	3.00	**–**	–	5,927
2016 final	5.80	**–**	–	11,460
2016 interim	2.90	**–**	5,720	5,720
		6,718	5,720	23,107

7. Dividends *continued*

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

		Half year ended June		Year ended December
	Pence per qualifying share	**2017 £'000**	2016 £'000	2016 £'000
2016 supplementary	3.00	**5,927**	–	–
2016 final	5.80	**11,460**	–	–
2016 interim	2.90	**–**	–	5,720
2015 supplementary	2.00	**–**	3,945	3,945
2015 final	4.75	**–**	9,369	9,369
		17,387	13,314	19,034

The 2016 final dividend of 5.80 pence per qualifying Ordinary Share alongside a supplementary dividend of 3.00 pence per qualifying Ordinary Share (total value £17,387,000) was paid on 30 June 2017 to shareholders registered at the close of business on 16 June 2017.

The Board has declared an interim dividend of 3.40 pence (June 2016: 2.90 pence) per share. This dividend will be paid on 6 December 2017 to shareholders on the register at the close of business on 20 October 2017. The ex-dividend date will be 19 October 2017.

8. Employee benefits

The Company sponsors a funded defined pension scheme in the UK ("the Scheme"). The Scheme is administered within a trust which is legally separate from the Company. The Trustee Board is appointed by both the Company and the Scheme's membership and acts in the interests of the Scheme and all relevant stakeholders, including the members and the Company. The Trustee is also responsible for the investment of the Scheme's assets.

The defined benefit section of the Scheme provides pension and lump sums to members on retirement and to dependants on death. The defined benefit section closed to future accrual of benefits on 30 June 2006 with then active members becoming entitled to a deferred pension. Members no longer pay contributions to the defined benefit section. Company contributions to the defined benefit section after this date are used to fund any deficit in the Scheme and the expenses associated with administering the Scheme as determined by regular actuarial valuations.

The Trustee is required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

The defined benefit section of the Scheme poses a number of risks to the Company, for example longevity risk, investment risk, interest rate risk, inflation risk and salary risk. The Trustee is aware of these risks and uses various techniques to control them. The Trustee has a number of internal control policies, including a risk register, which are in place to manage and monitor the various risks it faces. The Trustee's investment strategy incorporates the use of liability-driven investments ("LDIs") to minimise sensitivity of the actuarial funding position to movements in interest rates and inflation rates.

The defined benefit section of the Scheme is subject to regular actuarial valuations, which are usually carried out every 3 years. The next actuarial valuation is expected to be carried out with an effective date of 5 April 2018. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures which are determined using best estimate assumptions.

A formal actuarial valuation was carried out as at 5 April 2015. The results of that valuation have been projected to 30 June 2017 by a qualified independent actuary. The figures in the following disclosure were measured using the projected unit method.

The amounts recognised in the Consolidated Balance Sheet were as follows:

	June		December
	2017 £'000	2016 £'000	2016 £'000
Present value of Scheme liabilities	**(353,971)**	(347,452)	(355,793)
Fair value of Scheme assets	**357,593**	355,344	360,069
Net amount recognised (before any adjustment for deferred tax)	**3,622**	7,892	4,276

The current and past service costs, settlements and curtailments, together with the net interest expense for the period, are included in the employee benefits expense in the Statement of Comprehensive Income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

8. Employee benefits *continued*

	Half year ended June 2017 £'000	Half year ended June 2016 £'000	Year ended December 2016 £'000
Service cost:			
Net interest expense recognised in the Consolidated Income Statement	**137**	294	545
Remeasurements of the net liability:			
Return on scheme assets (excluding amount included in interest expense)	**(507)**	(54,879)	(59,979)
Loss arising from changes in financial assumptions	**5,565**	53,764	62,474
Gain arising from changes in demographic assumptions	**(3,628)**	–	–
Experience gain	**(913)**	(3,644)	(3,889)
Charge / (credit) recorded in other comprehensive income	**517**	(4,759)	(1,394)
Total defined benefit charge / (credit)	**654**	(4,465)	(849)

The principal actuarial assumptions used were:

	June 2017	June 2016	December 2016
Liability discount rate	**2.55%**	2.70%	2.65%
Inflation assumption – RPI	**3.15%**	2.90%	3.20%
Inflation assumption – CPI	**2.15%**	1.90%	2.20%
Rate of increase in salaries	**n/a**	n/a	n/a
Revaluation of deferred pensions	**2.15%**	1.90%	2.20%
Increases for pensions in payment:			
CPI pension increases (maximum 5% per annum)	**2.15%**	1.90%	2.20%
CPI pension increases (maximum 5% per annum, minimum 3% per annum)	**3.10%**	3.10%	3.10%
CPI pension increases (maximum 3% per annum)	**2.05%**	1.80%	2.10%
Proportion of employees opting for early retirement	**0%**	0%	0%
Proportion of employees commuting pension for cash	**50%**	50%	50%
Mortality assumption – before retirement	**Same as post retirement**	Same as post retirement	Same as post retirement
Mortality assumption – after retirement (males)	**S2PMA tables**	S2PMA tables	S2PMA tables
Loading	**105%**	105%	105%
Projection basis	**Year of birth CMI_2016 1.0%**	Year of birth CMI_2015 1.0%	Year of birth CMI_2015 1.0%
Mortality assumption – after retirement (females)	**S2PFA tables**	S2PFA tables	S2PFA tables
Loading	**105%**	105%	105%
Projection basis	**Year of birth CMI_2016 1.0%**	Year of birth CMI_2015 1.0%	Year of birth CMI_2015 1.0%
Future expected lifetime of current pensioner at age 65:			
Male aged 65 at year end	**86.5**	86.5	86.5
Female aged 65 at year end	**88.4**	88.5	88.5
Future expected lifetime of future pensioner at age 65:			
Male aged 45 at year end	**87.6**	87.8	87.8
Female aged 45 at year end	**89.6**	90.0	89.8

9. Analysis of net debt

	1 January 2017 £'000	Cash flow £'000	Other changes £'000	**30 June 2017 £'000**
Cash at bank and in hand	20,681	6,219	(38)	**26,862**
Debt due after 1 year	(14,975)	(10,000)	(432)	**(25,407)**
Finance leases	(293)	–	(3)	**(296)**
	5,413	(3,781)	(473)	**1,159**

Reconciliation of net cash flow to movement in net debt

	Half year ended June		Year ended December
	2017 £'000	2016 £'000	2016 £'000
Net increase / (decrease) in cash and cash equivalents	**6,219**	485	(4,680)
Cash (outflow) / inflow from decrease in debt and lease financing	**(10,000)**	4,155	23,831
Effect of exchange rate fluctuations	**(473)**	(2,005)	(2,276)
Movement in net debt in the period	**(4,254)**	2,635	16,875
Net cash / (debt) at beginning of the period	**5,413**	(11,462)	(11,462)
Net cash / (debt) at the end of the period	**1,159**	(8,827)	5,413

10. Borrowing facilities

The total bank borrowing facilities at 30 June 2017 amounted to £105.0 million (30 June 2016: £115.0 million; 31 December 2016: £95.0 million), of which £79.6 million (30 June 2016: £80.9 million; 31 December 2016: £80.0 million) remained unutilised.

These figures include an additional seasonal working capital facility of £10.0 million available between 1 February and 31 August each year.

The undrawn facilities available at 30 June 2017, in respect of which all conditions precedent had been met, were as follows:

	June		December
	2017 £'000	2016 £'000	2016 £'000
Committed:			
– Expiring in more than 2 years but not more than 5 years	**54,593**	45,872	65,025
– Expiring in 1 year or less	**–**	–	–
Uncommitted:			
– Expiring in 1 year or less	**25,000**	35,000	15,000
	79,593	80,872	80,025

The total borrowing facilities at 17 August 2017 amounted to £105.0 million. On 1 August 2017, the Group renewed its short-term working capital facilities of £25.0 million. The committed facilities are all revolving credit facilities with interest charged at variable rates based on LIBOR. The Group's bank facilities continue to be aligned with the current strategy to ensure that headroom against available facilities remains at appropriate levels.

10. Borrowing facilities *continued*

The maturity profile of borrowing facilities is structured to provide balanced, committed and phased medium-term debt. Following the recent refinancing of bank facilities, the current facilities are set out as follows:

	Facility £'000	Cumulative facility £'000
Committed facilities:		
Q3: 2021	20,000	20,000
Q3: 2020	20,000	40,000
Q3: 2019	20,000	60,000
Q3: 2018	20,000	80,000
On-demand facilities:		
Available all year	15,000	95,000
Seasonal (February to August inclusive)	10,000	105,000

11. Fair values of financial assets and financial liabilities

A comparison by category of the book values and fair values of the financial assets and liabilities of the Group at 30 June 2017 is shown below:

	June 2017		June 2016		December 2016	
	Book amount £'000	**Fair value £'000**	Book amount £'000	Fair value £'000	Book amount £'000	Fair value £'000
Trade and other receivables	**70,217**	**70,217**	65,847	65,847	46,033	46,033
Cash and cash equivalents	**26,862**	**26,862**	25,631	25,631	20,681	20,681
Bank loans	**(25,407)**	**(24,322)**	(34,128)	(33,582)	(14,975)	(14,192)
Finance lease liabilities	**(296)**	**(317)**	(330)	(360)	(293)	(320)
Trade and other payables	**(81,638)**	**(81,638)**	(98,071)	(98,071)	(70,939)	(70,939)
Interest rate swaps, forward contracts and fuel hedges	**(276)**	**(276)**	(515)	(515)	657	657
Financial instrument assets and liabilities - net	**(10,538)**		(41,566)		(18,836)	
Non-financial instrument assets and liabilities - net	**233,174**		246,436		235,957	
	222,636		204,870		217,121	

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

(a) Derivatives

Derivative contracts are either marked to market using listed market prices or by discounting the contractual forward price at the relevant rate and deducting the current spot rate. For interest rate swaps broker quotes are used.

(b) Interest-bearing loans and borrowings

Fair value is calculated based on the expected future principal and interest cash flows discounted at the market rate of interest at the balance sheet date.

(c) Finance lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates.

(d) Trade and other receivables / payables

For receivables / payables with a remaining life of less than 1 year, the notional amount is deemed to reflect the fair value. All other receivables / payables are discounted to determine the fair value.

11. Fair value of financial assets and financial liabilities *continued*

Estimation of fair values *continued*

(e) Fair value hierarchy

The table below analyses financial instruments, measured at fair value, into a fair value hierarchy based on the valuation techniques used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
30 June 2017				
Derivative financial liabilities	**–**	**(276)**	**–**	**(276)**
30 June 2016				
Derivative financial liabilities	–	(515)	–	(515)
31 December 2016				
Derivative financial assets	–	657	–	657

12. Principal risks and uncertainties

The principal risks and uncertainties that could impact the Group for the remainder of the current financial year are those detailed on pages 20 to 24 of the 2016 Annual Report. These cover the strategic, financial and operational risks and have not changed during the period.

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

Responsibility Statement

The Directors who held office at the date of approval of these Financial Statements confirm that to the best of their knowledge:

- the Condensed Consolidated Half Year Financial Statements have been prepared in accordance with IAS 34 "*Interim Financial Reporting*" as adopted by the European Union; and
- the Half Year 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 2017 and their impact on the Condensed Consolidated Half Year 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 2017 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 Directors serving during the half year ended 30 June 2017 were as follows:

Andrew Allner	Chairman
Janet Ashdown	Senior Non-Executive Director
Jack Clarke	Finance Director
Martyn Coffey	Chief Executive
Mark Edwards	Non-Executive Director – retired on 10 May 2017
Tim Pile	Non-Executive Director
Graham Prothero	Non-Executive Director – appointed on 10 May 2017

The responsibilities of the Directors during their period of service were as set out on pages 34 and 35 of the 2016 Annual Report.

By order of the Board

Cathy Baxandall
Group Company Secretary
17 August 2017

Cautionary statement

This Half Year 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 Year 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 Year 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.

Independent Review Report to Marshalls plc

Introduction

We have been engaged by the Company to review the condensed set of Financial Statements in the Half Year Financial Report for the 6 months ended 30 June 2017, which comprises the Condensed Consolidated Half Year Income Statement, the Condensed Consolidated Half Year Statement of Comprehensive Income, the Condensed Consolidated Half Year Balance Sheet, the Condensed Consolidated Half Year Cash Flow Statement, the Condensed Consolidated Half Year Statement of Changes in Equity and related Notes 1 to 12. We have read the other information contained in the Half Year Financial Report and considered whether it contains any apparent mis-statements or material inconsistencies with the information in the Condensed set of Financial Statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review 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 formed.

Directors' responsibilities

The Half Year Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Year Financial Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of Financial Statements included in this Half Year Financial Report has been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of Financial Statements in the Half Year Financial Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Auditing Practices Board for use in the United Kingdom. A review of Half Year Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the Half Year Financial Report for the 6 months ended 30 June 2017 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
17 August 2017

Shareholder Information

Financial calendar

Half Year results for the year ending December 2017	Announced	17 August 2017
Half Year dividend for the year ending December 2017	Payable	6 December 2017
Results for the year ending December 2017	Announcement	March 2018
Report and accounts for the year ending December 2017		April 2018
Annual General Meeting		May 2018
Final dividend for the year ending December 2017	Payable	June 2018

Registrars

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 6ZZ (telephone: 0870 707 1134) and should clearly state the registered shareholder's name and address.

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 a website that gives information on the Group and its products and provides details of significant Group announcements. The address is www.marshalls.co.uk.

Produced by

designportfolio