Marshalls

Interim results for the half year ended 30 June 2010

Marshalls plc, the specialist Landscape Products Group, announces its half year trading performance.

Financial Highlights

	Half year ended 30 June 2010	Half year ended 30 June 2009
Reported results:		
Revenue	£169.8m	£166.0m
EBITDA	£18.2m	£16.5m
Operating profit	£8.8m	£6.3m
Profit before tax	£7.5m	£4.0m
Basic EPS	3.07p	2.19p
Interim dividend per share	1.75p	1.75p
Net debt	£66.7m	£73.5m
Results before 2009 works closure costs:		
Operating profit	£8.8m	£11.3m
Profit before tax	£7.5m	£9.0m
Basic EPS	3.07p	4.41p

Highlights:

- Half-yearly results in line with expectation despite £2m one-off cost from severe weather in early 2010
- Dividend maintained at 1.75 pence per share reflecting the stabilisation in our markets
- Major restructuring complete
- Retained national manufacturing and distribution capability and reinforced our lowest cost to market position
- Increased operational flexibility to respond to changes in market conditions
- Net debt reduced further to £66.7m representing gearing of 35.9 per cent. Interest cover was 6.9 times.

Current priorities:

- Focus marketing innovation and sales on end markets where future demand is likely to be greatest
- Expand integrated product solutions to meet customer demand
- Continue development of new products and new markets
- Support development of domestic installers and increase brand loyalty
- Continue to focus on customer service and product availability
- Optimise our manufacturing and distribution operations following the completion of restructuring
- Embed sustainability in everything we do

Commenting on these results, Graham Holden, Chief Executive, said:

"Installer order books in our Domestic end market are encouraging at 9.1 weeks and our lead indicator for overall Public Sector and Commercial demand is mildly positive. Our markets have stabilised in the period and our marketing and sales initiatives are delivering positive results. However, economic uncertainties remain and Marshalls remains realistic about the short to medium term outlook.

During the last two years Marshalls has built considerable operational and financial flexibility into its business whilst retaining full geographic coverage and the lowest cost to market. Despite some uncertainty as to the likely speed of recovery, we are well positioned to respond quickly to changing market conditions and to benefit from improving market demand. The Group continues to invest selectively to develop new products and new markets and is well placed to build on the strong Marshalls brand and its market leading position."

Enquiries:

Graham Holden	Chief Executive	Marshalls plc	01484 438900
Ian Burrell	Finance Director		
Jon Coles		Brunswick Group LLP	0207 404 5959
Kate Miller			

Group Results

Marshalls' revenue for the half year ended 30 June 2010 was £169.8 million (2009: £166.0 million), from one more working day compared with the same period in 2009. Underlying daily sales revenue, on a like for like basis, was 1.5 per cent ahead of 2009 and reflects a stabilisation in our markets during the period.

Reported operating profit was £8.8 million (2009: £6.3 million). Operating profit before the 2009 works closure costs was £8.8 million (2009: £11.3 million). The severe weather in early 2010 resulted in incremental costs of £2 million and these have been expensed in the period. EBITDA was £18.2 million (2009: £16.5 million).

Net financial expenses, which benefited from the redemption of the Debenture in December 2009, were £1.3 million (2009: £2.3 million) and interest was covered 6.9 times by earnings (2009: 5.0 times, before works closure costs). The effective tax rate was 20.1 per cent (2009: 20.4 per cent, before works closure costs).

The interim dividend will be 1.75 pence (2009: 1.75 pence) per share.

Operating Performance

Like for like sales to the Public Sector and Commercial end market were 3 per cent ahead of the comparative period in 2009. Although the outlook remains uncertain, this performance is encouraging and our Barbour ABI lead indicator for Public Sector and Commercial end market projects indicates a small increase in the expected level of demand from late 2010 and into early 2011. This is consistent with the Construction Products Association's most recently published Spring 2010 forecast of a return to growth, albeit at a low level, in 2011.

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

Like for like sales to the Domestic end market were flat compared with the first half of 2009 which, given the impact of the snow in January, reflects the improvement seen in the second quarter. Installer order books at the end of June 2010 were a healthy 9.1 weeks, compared with 8.4 weeks in April 2010 and 7.1 weeks at the end of June 2009.

The operating profit margin has fallen from 6.8 per cent for the half year ended 30 June 2009 (before works closure costs) to 5.2 per cent in the half year ended 30 June 2010, due in great part to the incremental costs incurred following the snow in January. The prolonged bad weather gave rise to an increase in operational, distribution and rectification costs. In total it is estimated that the increase in costs as a direct result of the severe weather was approximately £2 million and excluding this the operating profit margin would have been 6.4 per cent.

Operational Priorities in 2010

The Group's recent priority has been to manage the business tightly in order to come through the downturn in a strong position from which to deliver sustained growth. The emphasis has been on cash generation, cost reduction, retaining strong geographic coverage and improving operational flexibility. We took early and decisive action to embark on a works closure restructuring programme which was completed in 2009. It delivered annualised fixed cost savings of approximately £11.4 million in 2009. The Group is now well placed to re-optimise its operations and increase productive output without the need for either significant additional capital expenditure or an increase in fixed overheads.

Marshalls has also continued to focus on innovation in order to develop particular areas of sales opportunity and end markets that will continue to spend. Investment in innovation will continue to be a priority both to launch new products and to develop a unique customer focused marketing approach to the Group's integrated product offer. Specialist integrated product directories have recently been produced for the rail and education end markets and these have been very well received. Customer service and product availability continue to be areas of particular focus, in addition to further investment to support the Group's approved installer base. All these initiatives will further strengthen the Marshalls brand.

Sustainability

The Group continues to direct significant resources towards sustainability, believing that this will promote the business' objectives, and in March 2010 we received the PLC Awards 2010 "Achievement in Sustainability Award". This is the second year running that Marshalls has received this prestigious award and it recognises the significant accomplishments Marshalls has made in the areas of economic, environmental and social sustainability. Carbon reduction is becoming increasingly important for all businesses and, having achieved certification under the Carbon Trust Standard during 2009, the Group is well prepared for the "Carbon Reduction Commitment" scheme that was introduced in April 2010. Marshalls has carbon-labelled over 2,000 of its products and is committed to reducing the carbon footprint of every labelled product.

Balance Sheet and Cash Flow

Net assets at 30 June 2010 were £186.0 million (June 2009: £193.3 million). At 30 June 2010 net debt was £66.7 million (June 2009: £73.5 million) resulting in gearing of 35.9 per cent (June 2009: 38.0 per cent).

Marshalls continues to focus on inventory and capital expenditure management, credit control and the maintenance of credit insurance for trade receivables. Cash management remains a high priority area and the Group is committed to realising value from the sale of surplus properties. Two closed sites were sold in the period realising cash proceeds of £3 million. In addition another closed site on the South Coast of England, has recently received planning permission for partial residential development. The Group's remaining surplus properties have a book value of around £6 million and the intention is to realise the value in these properties over the next two to three years.

The Group has recently renewed its short term working capital facilities with the Royal Bank of Scotland plc. A small committed facility that was due to expire in September 2010 has been replaced with a new four year facility provided by HSBC Bank plc as an additional banking partner. The introduction of a third bank creates additional financial flexibility. The Group continues its policy of having significant committed facilities in place with a positive spread of medium term maturities. The Group has recently entered into a number of interest rate swaps which are designed to reduce significantly the risk and exposure to increases in interest rates in the medium term.

The balance sheet includes the defined benefit pension obligation of £27.0 million at 30 June 2010 (December 2009: £38.0 million; June 2009: £31.4 million) before the impact of deferred taxation. This balance is made up of £220.2 million (December 2009: £221.9 million; June 2009: £194.0 million) in respect of the present value of the Scheme obligations and £193.2 million (December 2009: £183.9 million; June 2009: £162.6 million) in respect of the fair value of the Scheme assets. The deficit has been determined by the Scheme Actuary using assumptions that are considered to be prudent and in line with the current market. The main changes in these assumptions in the last six months are a reduction in corporate bond rates leading to a reduction in the discount rate from 5.8 per cent to 5.5 per cent and a reduction in the expected rate of inflation from 3.5 per cent to 3.3 per cent. The improvement in the period is mainly attributable to the increase in the value of Scheme assets.

Dividend

The Board has declared an interim dividend of 1.75 pence (June 2009: 1.75 pence) per share reflecting the stabilisation in our markets. This dividend will be paid on 3 December 2010 to shareholders on the register at the close of business on 29 October 2010. The ex-dividend date will be 27 October 2010.

Outlook

Installer order books in our Domestic end market are encouraging at 9.1 weeks and our lead indicator for overall Public Sector and Commercial demand is mildly positive. Our markets have stabilised in the period and our marketing and sales initiatives are delivering positive results. However, economic uncertainties remain and Marshalls remains realistic about the short to medium term outlook.

During the last two years Marshalls has built considerable operational and financial flexibility into its business whilst retaining full geographic coverage and the lowest cost to market. Despite some uncertainty as to the likely speed of recovery, we are well positioned to respond quickly to changing market conditions and to benefit from improving market demand. The Group continues to invest selectively to develop new products and new markets and is well placed to build on the strong Marshalls brand and its market leading position.

Graham Holden
Chief Executive

Condensed Consolidated Half-yearly Income Statement
for the half year ended 30 June 2010

	Notes	**Half year ended June 2010 Total 2010 £'000**	Half year ended June 2009 Before works closure costs 2009 £'000	Works closure costs 2009 £'000	Total 2009 £'000	Year ended December 2009 Before works closure costs and redemption of debenture 2009 £'000	Works closure costs and redemption of debenture 2009 £'000	Total 2009 £'000
Revenue	2	**169,811**	166,023	-	166,023	311,685	-	311,685
Net operating costs	3	**(161,023)**	(154,711)	(5,022)	(159,733)	(295,276)	(7,217)	(302,493)
Operating profit	2	**8,788**	11,312	(5,022)	6,290	16,409	(7,217)	9,192
Financial expenses	5	**(7,297)**	(7,783)	-	(7,783)	(15,247)	(7,259)	(22,506)
Financial income	5	**6,026**	5,501	-	5,501	10,944	-	10,944
Profit/(loss) before tax	2	**7,517**	9,030	(5,022)	4,008	12,106	(14,476)	(2,370)
Income tax expense	6	**(1,510)**	(1,842)	1,406	(436)	(2,435)	4,053	1,618
Profit/(loss) for the financial period attributable to equity shareholders of the parent		**6,007**	7,188	(3,616)	3,572	9,671	(10,423)	(752)
Earnings per share:								
Basic	7	**3.07p**	4.41p		2.19p	5.38p		(0.42)p
Diluted	7	**3.01p**	4.30p		2.14p	5.28p		(0.42)p
Dividend:								
Pence per share (restated)	8	**3.50p**			1.30p			3.05p
Dividends declared	8	**6,863**			2,029			5,460

Condensed Consolidated Half-yearly Statement of Comprehensive Income
for the half year ended 30 June 2010

	Half year ended June 2010 £'000	Half year ended June 2009 £'000	Year ended December 2009 £'000
Profit/(loss) for the period	**6,007**	3,572	(752)
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	**(194)**	185	172
Fair value of cash flow hedges transferred to the Income Statement	**31**	-	-
Deferred tax arising	**46**	(52)	(50)
Defined benefit plan actuarial gains/(losses)	**8,091**	(49,688)	(56,002)
Deferred tax arising	**(2,265)**	13,913	15,680
Other comprehensive income/(expense) for the period, net of income tax	**5,709**	(35,642)	(40,200)
Total comprehensive income/(expense) for the period (attributable to equity shareholders of the parent)	**11,716**	(32,070)	(40,952)

Condensed Consolidated Half-yearly Balance Sheet
as at 30 June 2010

	Notes	June **2010** **£'000**	June 2009 £'000	December 2009 £'000
Assets				
Non-current assets				
Property, plant and equipment		**195,313**	209,148	202,570
Intangible assets		**42,149**	41,259	41,559
Investments in associates		**2,180**	2,118	2,118
Deferred taxation assets		**7,638**	9,146	10,696
		247,280	261,671	256,943
Current assets				
Inventories		**82,348**	83,725	82,187
Trade and other receivables		**54,896**	51,361	31,267
Cash and cash equivalents		**19,168**	38,358	9,283
		156,412	173,444	122,737
Total assets		**403,692**	435,115	379,680
Liabilities				
Current liabilities				
Trade and other payables		**74,902**	68,910	53,248
Corporation tax		**5,110**	4,802	3,845
Interest bearing loans and borrowings		**20,017**	23,393	20,039
		100,029	97,105	77,132
Non-current liabilities				
Interest bearing loans and borrowings		**65,900**	88,415	58,400
Employee benefits	9	**26,975**	31,393	37,956
Deferred taxation liabilities		**24,753**	24,913	25,093
		117,628	144,721	121,449
Total liabilities		**217,657**	241,826	198,581
Net assets		**186,035**	193,289	181,099
Equity				
Capital and reserves attributable to equity shareholders of the parent				
Share capital	10	**49,845**	49,845	49,845
Share premium account		**22,695**	22,695	22,695
Own shares		**(9,514)**	(9,472)	(9,472)
Capital redemption reserve		**75,394**	75,394	75,394
Consolidation reserve		**(213,067)**	(213,067)	(213,067)
Hedging reserve		**(119)**	9	(2)
Retained earnings		**260,801**	267,885	255,706
Equity shareholders' funds		**186,035**	193,289	181,099

Condensed Consolidated Half-yearly Cash Flow Statement
for the half year ended 30 June 2010

	Half year ended June 2010 £'000	Half year ended June 2009 £'000	Year ended December 2009 £'000
Cash flows from operating activities			
Profit/(loss) before tax	**7,517**	4,008	(2,370)
Adjustments for:			
Depreciation	**8,876**	9,966	18,773
Amortisation	**500**	199	877
Works closure costs	**-**	5,022	7,217
Share of results of associates	**33**	(5)	(5)
Gain on sale of property, plant and equipment	**(295)**	(198)	(859)
Equity settled share based expenses	**125**	122	245
Financial income and expenses (net)	**1,271**	2,282	11,562
Operating cash flow before changes in working capital and pension scheme contributions	**18,027**	21,396	35,440
(Increase)/decrease in trade and other receivables	**(23,629)**	(19,136)	955
(Increase)/decrease in inventories	**(161)**	6,089	7,627
Increase/(decrease) in trade and other payables	**15,455**	5,187	(5,346)
Works closure costs paid	**(878)**	(3,967)	(6,854)
Pension scheme contributions	**(3,300)**	(1,850)	(2,150)
Cash generated from the operations	**5,514**	7,719	29,672
Financial expenses paid	**(920)**	(2,288)	(4,296)
Income tax received	**211**	1,460	2,950
Net cash flow from operating activities	**4,805**	6,891	28,326
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**3,215**	246	2,353
Financial income received	**59**	62	97
Acquisition of subsidiaries and investment in associates	**-**	-	(750)
Acquisition of property, plant and equipment	**(4,539)**	(4,380)	(8,077)
Acquisition of intangible assets	**(1,091)**	(148)	(1,085)
Net cash flow from investing activities	**(2,356)**	(4,220)	(7,462)
Cash flows from financing activities			
Proceeds from issue of share capital	**-**	36,588	36,588
Share issue costs paid	**-**	(1,379)	(2,559)
Payments to acquire own shares	**(42)**	-	-
Net decrease in other debt and finance leases	**(22)**	(60)	(102)
Premium on redemption of debenture	**-**	-	(7,259)
Increase/(decrease) in borrowings	**7,500**	-	(33,327)
Equity dividends paid	**-**	-	(5,460)
Net cash flow from financing activities	**7,436**	35,149	(12,119)
Net increase in cash and cash equivalents	**9,885**	37,820	8,745
Cash and cash equivalents at beginning of the period	**9,283**	538	538
Cash and cash equivalents at end of the period	**19,168**	38,358	9,283

Condensed Consolidated Half-yearly Statement of Changes in Equity
for the half year ended 30 June 2010

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolid-ation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
Current Half-yearly period								
At 1 January 2010	**49,845**	**22,695**	**(9,472)**	**75,394**	**(213,067)**	**(2)**	**255,706**	**181,099**
Total comprehensive income for the period								
Profit for the financial period attributable to equity shareholders of the parent	**-**	**-**	**-**	**-**	**-**	**-**	**6,007**	**6,007**
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**-**	**-**	**-**	**(194)**	**-**	**(194)**
Net change in fair value of cash flow hedges transferred to the Income Statement	**-**	**-**	**-**	**-**	**-**	**31**	**-**	**31**
Deferred tax arising	**-**	**-**	**-**	**-**	**-**	**46**	**-**	**46**
Defined benefit plan actuarial gains	**-**	**-**	**-**	**-**	**-**	**-**	**8,091**	**8,091**
Deferred tax arising	**-**	**-**	**-**	**-**	**-**	**-**	**(2,265)**	**(2,265)**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(117)**	**5,826**	**5,709**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**(117)**	**11,833**	**11,716**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Share based expenses	**-**	**-**	**-**	**-**	**-**	**-**	**125**	**125**
Dividends to equity shareholders	-	-	-	-	-	-	**(6,863)**	**(6,863)**
Purchase of own shares	**-**	**-**	**(42)**	**-**	**-**	**-**	**-**	**(42)**
Total contributions by and distributions to owners	**-**	**-**	**(42)**	**-**	**-**	**-**	**(6,738)**	**(6,780)**
At 30 June 2010	**49,845**	**22,695**	**(9,514)**	**75,394**	**(213,067)**	**(119)**	**260,801**	**186,035**

Condensed Consolidated Half-yearly Statement of Changes in Equity (continued)
for the half year ended 30 June 2010

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolid-ation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
Prior Half-yearly period								
At 1 January 2009	35,777	2,734	(9,472)	75,394	(213,067)	(124)	301,995	193,237
Total comprehensive income for the period								
Profit for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	3,572	3,572
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	185	-	185
Deferred tax arising	-	-	-	-	-	(52)	-	(52)
Defined benefit plan actuarial losses							(49,688)	(49,688)
Deferred tax arising	-	-	-	-	-	-	13,913	13,913
Total other comprehensive income	-	-	-	-	-	133	(35,775)	(35,642)
Total comprehensive income for the period	-	-	-	-	-	133	(32,203)	(32,070)
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Share based expenses	-	-	-	-	-	-	122	122
Dividends to equity shareholders	-	-	-	-	-	-	(2,029)	(2,029)
Shares issued	14,068	22,520	-	-	-	-	-	36,588
Share issue costs	-	(2,559)	-	-	-	-	-	(2,559)
Total contributions by and distributions to owners	14,068	19,961	-	-	-	-	(1,907)	32,122
At 30 June 2009	49,845	22,695	(9,472)	75,394	(213,067)	9	267,885	193,289

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

for the half year ended 30 June 2010

	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
Prior year								
At 1 January 2009	35,777	2,734	(9,472)	75,394	(213,067)	(124)	301,995	193,237
Total comprehensive income for the period								
Loss for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	(752)	(752)
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	172	-	172
Deferred tax arising	-	-	-	-	-	(50)	-	(50)
Defined benefit plan actuarial losses							(56,002)	(56,002)
Deferred tax arising	-	-	-	-	-	-	15,680	15,680
Total other comprehensive income	-	-	-	-	-	122	(40,322)	(40,200)
Total comprehensive income for the period	-	-	-	-	-	122	(41,074)	(40,952)
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Share based expenses	-	-	-	-	-	-	245	245
Dividends to equity shareholders							(5,460)	(5,460)
Shares issued	14,068	22,520	-	-	-	-	-	36,588
Share issue costs	-	(2,559)	-	-	-	-	-	(2,559)
Total contributions by and distributions to owners	14,068	19,961	-	-	-	-	(5,215)	28,814
At 31 December 2009	49,845	22,695	(9,472)	75,394	(213,067)	(2)	255,706	181,099

Notes to the Condensed Consolidated Half-yearly Financial Statements

1. Basis of preparation

Marshalls plc (the “Company”) is a company domiciled in the United Kingdom. The Condensed Consolidated Half-yearly Financial Statements of the Company for the half year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the “Group”).

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

The Condensed Consolidated Half-yearly Financial Statements do not constitute financial statements and do not include all the information and disclosures required for full annual financial statements. The Condensed Consolidated Half-yearly Financial Statements were approved by the Board on 27 August 2010.

The comparative figures for the financial year ended 31 December 2009 are not the Group’s statutory accounts for that financial year. Those accounts have been reported on by the Group’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 498 (2) or (3) of the Companies Act 2006.

The Condensed Consolidated Half-yearly Financial Statements have been prepared applying the accounting policies and presentation that were applied in the Company’s published Consolidated Financial Statements for the year ended 31 December 2009. The accounting policies are included on the Company’s website and have been applied consistently throughout the Group for the purposes of these Condensed Consolidated Half-yearly Financial Statements.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing these Condensed Consolidated Half-yearly Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements of the Group for the year ended 31 December 2009.

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 12 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 20 August 2010. The Group's performance is dependent on economic and market conditions, the outlook for which is uncertain and difficult to predict. The Group has taken decisive action through the economic recession both to raise additional funds through a Rights Issue and to align its operational capacity with expected market conditions and, based on current expectations, the Group's cash forecasts continue to meet half-year and year end bank covenants and there is adequate headroom which is not dependent on facility renewals. The Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Consolidated Half-yearly Financial Statements.

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

2. Segmental analysis

	Revenue Half year ended June **2010** **£'000**	Half year ended June 2009 £'000	Year ended December 2009 £'000
Continuing operations	**169,811**	166,023	311,685

	Operating Profit (before 2009 works closure costs and redemption of debenture) Half year ended June **2010** **£'000**	Half year ended June 2009 £'000	Year ended December 2009 £'000	**Operating Profit** Half year ended June **2010** **£'000**	Half year ended June 2009 £'000	Year ended December 2009 £'000
Continuing operations	**8,788**	11,312	16,409	**8,788**	6,290	9,192
Financial income and expenses (net)	**(1,271)**	(2,282)	(4,303)	**(1,271)**	(2,282)	(11,562)
Profit/(loss) before tax	**7,517**	9,030	12,106	**7,517**	4,008	(2,370)

Geographical destination of revenue:

	Half year ended June **2010** **£'000**	Half year ended June 2009 £'000	Year ended December 2009 £'000
United Kingdom	**167,895**	164,041	308,498
Rest of the world	**1,916**	1,982	3,187
	169,811	166,023	311,685

All revenue originates in the United Kingdom from continuing operations and there is no material inter-segmental turnover. There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2009

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

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

3. Net operating costs

	Half year ended June		Year ended December
	2010	2009	2009
	£'000	£'000	£'000
Raw materials and consumables	**57,057**	46,242	92,970
Changes in inventories of finished goods and work in progress	**1,085**	6,586	5,454
Personnel costs	**41,707**	42,215	84,244
Depreciation - owned	**8,858**	9,804	18,671
- leased	**18**	162	102
Own work capitalised	**(1,024)**	(1,133)	(1,581)
Other operating costs	**53,708**	50,990	95,879
Amortisation of intangible assets	**500**	199	877
Share of results of associates	**33**	(5)	(5)
Operating costs	**161,942**	155,060	296,611
Other operating income	**(783)**	(452)	(718)
Net (profit)/loss on asset and property disposals	**(136)**	103	(617)
Net operating costs before works closure costs	**161,023**	154,711	295,276
Works closure costs	**-**	5,022	7,217
Net operating costs	**161,023**	159,733	302,493

4. Works closure costs

	Half year ended June		Year ended December
	2010	2009	2009
	£'000	£'000	£'000
Works closure costs	**-**	5,022	7,217
	-	5,022	7,217

The Board has determined that certain changes to the Consolidated Half-yearly Statement of Comprehensive Income should be separately identified for better understanding, of the comparative periods, of the Group's results for the half year ended 30 June 2010.

In 2009, works closure costs reflect the impact of capacity reductions and the closure of the concrete manufacturing operations at Llay and other capacity reductions.

5. Financial expenses and income

	Half year ended June 2010 £'000	Half year ended June 2009 £'000	Year ended December 2009 £'000
(a) Financial expenses			
Interest expense on bank loans, overdrafts and loan notes	**916**	1,143	2,146
Interest on obligations under the defined benefit Pension Scheme	**6,377**	5,495	10,952
Debenture interest expense	**-**	1,137	2,136
Premium on redemption of debenture	**-**	-	7,259
Finance lease interest expense	**4**	8	13
	7,297	7,783	22,506
(b) Financial income			
Expected return on Scheme assets under the defined benefit Pension Scheme	**5,967**	5,439	10,847
Interest receivable and similar income	**59**	62	97
	6,026	5,501	10,944

6. Income tax expense

	Half year ended June 2010	Half year ended June 2009			Year ended December 2009		
	Total £'000	Before works closure costs £'000	Works closure costs £'000	Total £'000	Before works closure costs and redemption of debenture £'000	Works closure costs and redemption of debenture £'000	Total £'000
Current tax expense							
Current year	**1,515**	1,637	(672)	965	3,297	(3,297)	-
Adjustments for prior years	**(506)**	(1,460)	-	(1,460)	(2,955)	-	(2,955)
	1,009	177	(672)	(495)	342	(3,297)	(2,955)
Deferred taxation expense							
Origination and reversal of temporary differences:							
Current year	**501**	1,665	(734)	931	1,278	(756)	522
Adjustments for prior years	**-**	-	-	-	815	-	815
Income tax expense/(credit) in the Consolidated Income Statement	**1,510**	1,842	(1,406)	436	2,435	(4,053)	(1,618)

6. Income tax expense (continued)

	Half year ended June 2010 %	**£'000**	Half year ended June 2009 %	£'000	Year ended December 2009 %	£'000
Reconciliation of effective tax rate						
Profit/(loss) before tax	**100.0**	**7,517**	100.0	4,008	100.0	(2,370)
Tax using domestic corporation tax rate	**28.0**	**2,105**	28.0	1,122	28.0	(664)
Disallowed amortisation of intangible assets	**0.6**	**46**	4.1	166	(10.4)	246
Net items not taxable	**(1.8)**	**(135)**	15.2	608	(39.7)	940
Adjustments for prior years	**(6.7)**	**(506)**	(36.4)	(1,460)	90.4	(2,140)
	20.1	**1,510**	10.9	436	68.3	(1,618)

7. Earnings per share

Basic earnings per share of 3.07 pence (30 June 2009: 2.19 pence; 31 December 2009: (loss) 0.42 pence) per share is calculated by dividing the profit attributable to ordinary shareholders from total operations of £6,007,000 (30 June 2009: £3,572,000; 31 December 2009: (loss) £752,000) by the theoretical ex-rights weighted average number of shares in issue during the period of 195,503,776 (30 June 2009: 163,110,477; 31 December 2009: 179,596,717).

Basic earnings per share before works closure and redemption of debenture of 3.07 pence (30 June 2009: 4.41 pence) (31 December 2009: 5.38 pence) per share is calculated by dividing the profit before works closure costs and redemption of debenture of £6,007,000 (30 June 2009: £7,188,000; 31 December 2009: £9,671,000) by the theoretical ex-rights weighted average number of shares in issue during the year of 195,503,776 (30 June 2009: 163,110,477; 31 December 2009: 179,596,717).

Profit/(loss) attributable to ordinary shareholders

	Half year ended June **2010 £'000**	2009 £'000	Year ended December 2009 £'000
Profit attributable to ordinary shareholders before works closure costs and redemption of debenture	**6,007**	7,188	9,671
Works closure costs and redemption of debenture	**-**	(3,616)	(10,423)
Profit/(loss) attributable to ordinary shareholders:	**6,007**	3,572	(752)

Weighted average number of ordinary shares

	Half year ended June **2010 Number**	2009 Number	Year ended December 2009 Number
Number of issued ordinary shares (at beginning of the period)	**199,378,755**	143,106,254	143,106,254
Weighted average number of Rights Issue shares	**-**	23,568,818	40,282,221
Effect of shares transferred into employee benefit trust	**(1,449,979)**	(1,139,595)	(1,366,758)
Effect of treasury shares acquired	**(2,425,000)**	(2,425,000)	(2,425,000)
Weighted average number of ordinary shares at end of the period	**195,503,776**	163,110,477	179,596,717

7. Earnings per share (continued)

Diluted earnings per share of 3.01 pence (30 June 2009: 2.14 pence) per share is calculated by dividing the profit attributable to ordinary shares and potentially dilutive ordinary shares of £6,007,000 (30 June 2009: £3,572,000) by the theoretical ex-rights weighted average number of shares in issue during the period of 195,503,776 (30 June 2009: 163,110,477) plus potentially dilutive shares of 3,874,979 (30 June 2009: 3,912,520) which totals 199,378,755 (30 June 2009: 167,022,997).

For the year ended 31 December 2009 the potential ordinary shares set out below are considered to be anti-dilutive to the total earnings per share calculation.

Diluted earnings per share before works closure costs and redemption of debenture of 3.01 pence (30 June 2009: 4.30 pence; 31 December 2009: 5.28 pence) per share is calculated by dividing the profit attributable to ordinary shares and potentially dilutive ordinary shares of £6,007,000 (30 June 2009: £7,188,000; 31 December 2009: £9,671,000) by the theoretical ex-rights weighted average number of shares in issue during the period of 195,503,776 (30 June 2009: 163,110,477; 31 December 2009: 179,596,717) plus potentially dilutive shares of 3,874,979 (30 June 2009: 3,912,520; 31 December 2009: 3,737,128) which totals 199,378,755 (30 June 2009: 167,022,997; 31 December 2009: 183,333,845).

Weighted average number of ordinary shares (diluted)

	Half year ended June		Year ended December
	2010	2009	2009
	£'000	£'000	£'000
Weighted average number of ordinary shares	**195,503,776**	163,110,477	179,596,717
Effect of shares transferred into employee benefit trust	**1,449,979**	1,250,826	1,194,754
Effect of treasury shares acquired in the period	**2,425,000**	2,661,694	2,542,374
Weighted average number of ordinary shares (diluted)	**199,378,755**	167,022,997	183,333,845

8. Dividends

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

	Pence per qualifying share (restated)*	Pence per qualifying share (original)	Half year ended June		Year ended December
			2010	2009	2009
			£'000	£'000	£'000
2010 interim	1.75	1.75	**3,447**	-	-
2009 final	3.50	3.50	**-**	-	6,863
2009 interim	1.75	1.75	**-**	3,447	3,447
			3,447	3,447	10,310

8. Dividends (continued)

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

	Pence per qualifying share (restated)*	Pence per qualifying share (original)	Half year ended June		Year ended December
			2010	2009	2009
			£'000	£'000	£'000
2009 final	3.50	3.50	**6,863**	-	-
2009 interim	1.75	1.75	**-**	-	3,447
2008 final	1.30	1.45	**-**	2,029	2,013
			6,863	2,029	5,460

The 2009 final dividend of 3.50 pence per qualifying ordinary share, total value £6,863,000, was paid on 2 July 2010 to shareholders registered at the close of business on 4 June 2010.

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

9. Employee benefits

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

	June		December
	2010	2009	2009
	£'000	£'000	£'000
Present value of funded obligations	**(220,204)**	(194,022)	(221,895)
Fair value of Scheme assets	**193,229**	162,629	183,939
Net liability in the Scheme for defined benefit obligations (see below)	**(26,975)**	(31,393)	(37,956)
Experience adjustments on Scheme liabilities	**4,104**	(24,825)	(51,099)
Experience adjustments on Scheme assets	**3,987**	(24,863)	(4,903)

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

	Half year ended June		Year ended December
	2010	2009	2009
	£'000	£'000	£'000
Net (liability)/asset for defined benefit obligations at beginning of the period	**(37,956)**	16,501	16,501
Contributions received	**3,300**	1,850	1,650
Loss recognised in the Consolidated Income Statement	**(410)**	(56)	(105)
Actuarial gains/(losses) recognised in the Consolidated Statement of Comprehensive income	**8,091**	(49,688)	(56,002)
Net liability in the Scheme for the defined benefit obligations at period end	**(26,975)**	(31,393)	(37,956)

9. Employee benefits (continued)

The actuarial gains of £8,091,000 in the half year ended 30 June 2010 are mainly due to the net effect of the increase in the fair value of the Scheme assets, the reduction in the AA corporate bond rate from 5.8 per cent to 5.5 per cent and the decrease in the inflation assumption.

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

	June		December
	2010	2009	2009
Discount rate (AA corporate bond rate)	**5.5%**	6.2%	5.8%
Inflation	**3.3%**	3.0%	3.5%
Future pension increases	**3.3%**	3.0%	3.5%
Expected return on Scheme assets	**6.5%**	6.0%	6.5%
Future expected lifetime of pensioner at age 65 (years):			
Male:	**20.5**	20.4	20.5
Female:	**23.5**	23.4	23.5

10. Share capital

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

11. Analysis of net debt

	1 January 2010 £'000	Cash flow £'000	**30 June 2010 £'000**
Cash at bank and in hand	9,283	9,885	**19,168**
Debt due within one year	(20,000)	-	**(20,000)**
Debt due after one year	(58,400)	(7,500)	**(65,900)**
Finance leases	(39)	22	**(17)**
	(69,156)	2,407	**(66,749)**

Reconciliation of Net Cash Flow to Movement in Net Debt

	Half year ended June		Year ended December
	2010 £'000	2009 £'000	2009 £'000
Net increase in cash and cash equivalents	**9,885**	37,820	8,745
Cash (inflow)/outflow from increase/(decrease) in debt and lease financing	**(7,478)**	60	33,429
Movement in net debt in the period	**2,407**	37,880	42,174
Net debt at beginning of the period	**(69,156)**	(111,330)	(111,330)
Net debt at the end of the period	**(66,749)**	(73,450)	(69,156)

12. Borrowing facilities

The total borrowing facilities at 30 June 2010 amounted to £188.4 million (30 June 2009: £206.7 million; 31 December 2009: £168.4 million) of which £102.5 million (30 June 2009: £95.0 million; 31 December 2009: £90.0 million) remained unutilised.

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

The undrawn facilities available at 30 June 2010 in respect of which all conditions precedent had been met were as follows:

	June		December
	2010	2009	2009
	£'000	£'000	£'000
Committed			
- Expiring in more than two years but not more than five years	**57,500**	50,000	65,000
Uncommitted			
- Expiring in one year or less	**45,000**	45,000	25,000
	102,500	95,000	90,000

The maturity profile of borrowing facilities is structured to provide balanced, committed and phased medium term debt and, following the renewal of certain bank facilities on 20 August 2010, is set out as follows:

	Facility	Cumulative Facility
	£'000	£'000
Committed facilities:		
Q3: 2014	20,000	20,000
Q1: 2013	50,000	70,000
Q4: 2012	25,000	95,000
Q3: 2011	48,400	143,400
On demand facilities:		
Available all year	25,000	168,400
Seasonal (February to August inclusive)	20,000	188,400

13. Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year are those detailed on pages 23 to 25 of the 2009 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-yearly Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union; and
- the Half-yearly management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the half year ended 30 June 2010 and their impact on the Condensed Consolidated Half-yearly Financial Statements and a description of the principal risks and uncertainties for the remaining second half of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the half year ended 30 June 2010 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 2010 were as follows:

Mike Davies	Non-Executive Chairman	(resigned 12 May 2010)
Graham Holden	Chief Executive	
Ian Burrell	Finance Director	
David Sarti	Chief Operating Officer	
Richard Scholes	Non-Executive Director	(resigned 12 May 2010)
Andrew Allner	Non-Executive Director	(Chairman from 12 May 2010)
Bill Husselby	Non-Executive Director	
Alan Coppin	Non-Executive Director	(appointed 12 May 2010)
Mark Edwards	Non-Executive Director	(appointed 12 May 2010)

The responsibilities of the Directors during their period of service were as set out on page 26 of the 2009 Annual Report, save that on 12 May 2010 Andrew Allner became Chairman and ceased to be a member of the Audit and Remuneration Committees, Alan Coppin was appointed as Senior Independent Non-Executive Director, Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees, and Mark Edwards was appointed as Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

By order of the Board
Cathy Baxandall
Company Secretary
27 August 2010

Cautionary Statement

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

Directors' Liability

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

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-yearly Financial Report for the six months ended 30 June 2010 which comprises the Condensed Consolidated Half-yearly Income Statement, the Condensed Consolidated Half-yearly Balance Sheet, the Condensed Consolidated Half-yearly Cash Flow Statement, the Condensed Consolidated Half-yearly Statement of Comprehensive Income, the Condensed Consolidated half-yearly Statement of Changes in Equity and the related explanatory notes. We have read the other information contained in the Half-yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements.

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

Directors' responsibilities

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

As disclosed in Note 1, the annual Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of Financial Statements included in this Half-yearly Financial Report has been prepared in accordance with IAS 34 "Interim Financial Reporting", as adopted by the EU.

Our responsibility

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

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditors of the Entity issued by the Auditing Practices Board for use in the UK. A review of Half-yearly financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International 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-yearly Financial Report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Chris Hearld
For and on behalf of KPMG Audit Plc
Chartered Accountants
Leeds
27 August 2010