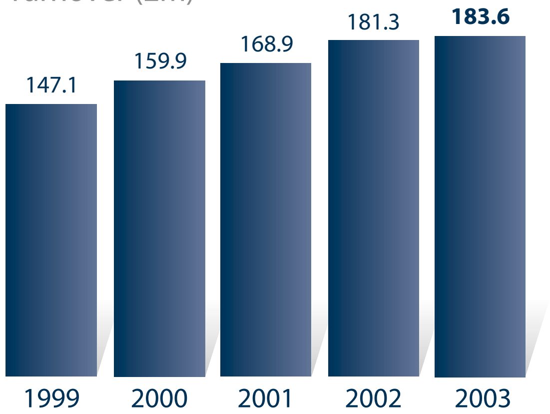


INTERIM REPORT 2003

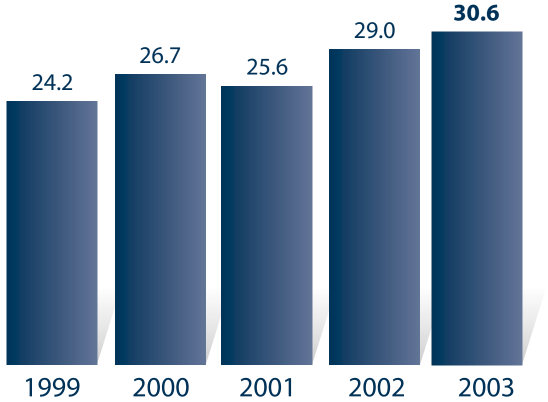
Marshalls

Financial Highlights

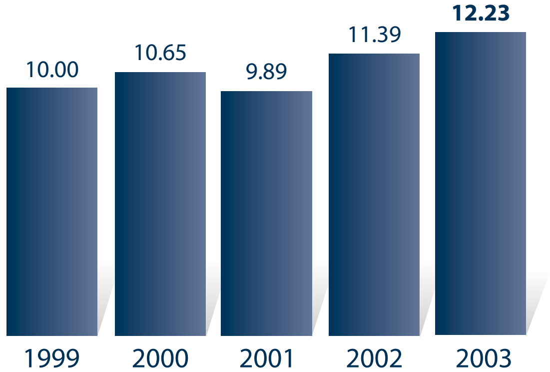
Turnover (£m)



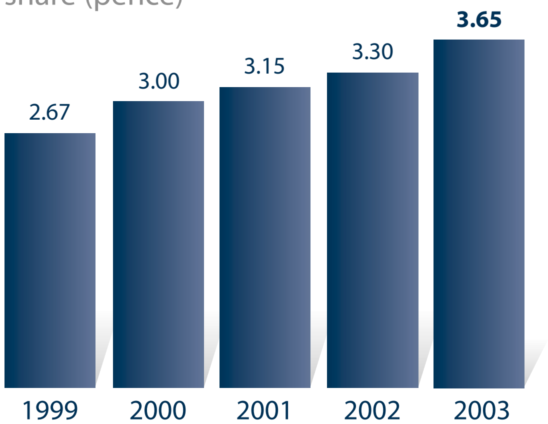
Operating profit (£m)



Adjusted basic earnings per share (pence)



Dividend per ordinary share (pence)



Chairman's Statement

Group turnover in the six months to 30 June 2003 at £183.6 million (2002: £181.3 million) was 1.3 per cent ahead of the same period last year. Excluding our Flooring business that was sold in November 2002, turnover was up 7.0 per cent. Profit before tax of £29.1 million (2002: £27.3 million) was up 6.6 per cent, and excluding the Flooring business operating profit was 9.6 per cent ahead. Basic earnings per share at 11.80p (2002: 11.03p) were 7.0 per cent ahead of the comparable period last year.

All Divisions achieved satisfactory sales growth. Following the disposal of the Flooring business it has been decided not to continue to publish the results of our remaining Emerging Businesses separately. They are therefore combined with the Landscape Products Division. On a comparable basis Landscape Products increased sales by 6.3 per cent, Clay Products was ahead by 3.8 per cent and Natural Stone was up by 19.1 per cent.

The Group invested £18.8 million (2002: £21.9 million) on capital expenditure during the first six months. We also achieved a reduction of over £5 million in stocks compared with the 2002 year end.

These factors helped reduce net borrowings at 30 June 2003 to £17.4 million (2002: £25.4 million), and gave a gearing ratio of 8.0 per cent (2002: 12.9 per cent).

The Board has decided to declare an interim dividend of 3.65p (2002: 3.30p) per ordinary share, an increase of 10.6 per cent. The dividend will be paid on 8 December 2003 to shareholders on the Register on 7 November 2003. The ex-dividend date will be 5 November 2003.

Landscape Products Division

The Landscape Products Division, incorporating the three businesses that were previously reported within the Emerging Businesses Division, achieved sales of £152.9 million (2002: £143.8 million), an increase of 6.3 per cent over last year.

The increase in sales in the Landscape Products Division was evenly spread between domestic demand for new driveways and patios, and work on infrastructure and public sector projects.

The independent installers on the Marshalls Register continue to confirm strong order books with no reduction in the forward order position. There is no doubt that home-owners are taking advantage of the increased equity in their homes, and low interest rates, to invest in external improvements to driveways and gardens.

There has also been a noticeable increase in repair and maintenance work being undertaken by local authorities. The new build programme funded by increased Government spending also ensured that this other important sector of our business had a good first half year.

Drainage, Street Furniture and Classical Flagstones, previously reported within Emerging Businesses, all experienced encouraging sales growth. These profitable businesses continue to be developed and have an excellent future within the Group.

Operating profit for the Landscape Products Division increased by 10.4 per cent to £26.1 million (2002: £23.7 million).

Clay Products Division

The Clay Products Division increased sales in the first half by 3.8 per cent to £15.9 million (2002: £15.3 million) with activity in the new housing market underpinning Industry demand. Repair, maintenance and improvement expenditure, both public and private, was also strong.

Operating profit, however, fell to £2.0 million (2002: £2.7 million). Whilst volumes and sales prices were ahead of last year we suffered in terms of mix because of shortages in supply of certain raw materials preventing us from satisfying demand for clay pavers. These products, which are sold through the Landscape Products Division Regional Service Centres, achieve higher unit selling prices and contributions. This loss of contribution, together with some re-organisation costs, accounted for the reduction in profit.

Our objective is to see the results of all our work in the Clay Products Division show through in profit performance and we expect to begin to see the benefit of this in the second half and beyond.

Natural Stone Division

An impressive performance by the Natural Stone Division saw sales in the first half increase by 19.1 per cent to £14.8 million (2002: £12.4 million). This included a contribution from the acquisition of a small quarrying business made at the end of last year. Organic sales growth was 10.7 per cent.

The Division includes our own natural stone products, imported stone and granite products, and crushed aggregates sold from our own quarries. The majority of customers are involved with public sector and infrastructure projects and enquiries remain strong. We recently completed supplying product for the major pedestrianisation project at Trafalgar Square in London, and we are currently supplying product for Terminal 5 at Heathrow Airport.

Operating profit increased by 32.5 per cent to £2.4 million (2002: £1.8 million). Excluding the impact of the acquisition, profits increased by 12.4 per cent.

The Board

On 23 July 2003, we announced the appointment of two new Non-Executive Directors, Andrew Allner and Richard Scholes. I am delighted that we have attracted two Non-Executive Directors of such high calibre. We are looking forward to benefiting from their broad experience.

Outlook

The first half growth in sales and profits, in a period of low inflation, was very encouraging. It was particularly pleasing to experience healthy sales growth across all Divisions in both the domestic and commercial/public sectors of our business.

The second half has seen an encouraging start with continued sales growth. At this stage our market intelligence suggests that activity levels will remain positive.

Christopher Burnett
Executive Chairman

Consolidated Profit and Loss Account

for the half year ended 30 June 2003

	Notes	2003 £'000	Unaudited Half year ended June 2002 £'000	Audited Year ended December 2002 £'000
Turnover	**1**	**183,583**	181,262	342,056
Operating costs		**(153,029)**	(152,306)	(291,727)
Operating profit	**1**	**30,554**	28,956	50,329
Gain on disposal and termination of business		**-**	-	2,255
Profit on ordinary activities before interest		**30,554**	28,956	52,584
Interest (net)		**(1,447)**	(1,649)	(3,193)
Profit on ordinary activities before taxation		**29,107**	27,307	49,391
Taxation on profit on ordinary activities		**(9,345)**	(8,782)	(15,750)
Profit for the financial period		**19,762**	18,525	33,641
Preference dividends: Non equity shares		**(36)**	(87)	(137)
Profit attributable to ordinary shareholders		**19,726**	18,438	33,504
Ordinary dividends: Equity shares		**(6,101)**	(5,523)	(16,737)
Retained profit for the financial period		**13,625**	12,915	16,767
Earnings per share :				
Basic	2	**11.80p**	11.03p	20.05p
Diluted	2	**11.80p**	11.01p	20.02p
Adjusted Basic	2	**12.23p**	11.39p	19.41p
Dividend per share:				
Pence per share		**3.65p**	3.30p	10.00p

Consolidated Balance Sheet

as at 30 June 2003

	Notes	2003 £'000	Unaudited June 2002 £'000	Audited December 2002 £'000
Fixed assets				
Intangible		**24,445**	20,721	24,113
Tangible		**194,680**	183,947	184,699
		219,125	204,668	208,812
Current assets				
Stocks		**57,885**	60,103	62,978
Debtors		**63,138**	62,141	30,997
Cash at bank and in hand		**5,977**	136	7,307
		127,000	122,380	101,282
Creditors: Amounts falling due within one year		**(89,392)**	(90,032)	(67,493)
Net current assets		**37,608**	32,348	33,789
Total assets less current liabilities		**256,733**	237,016	242,601
Creditors: Amounts falling due after more than one year		**(20,001)**	(20,005)	(20,003)
Provisions for liabilities and charges		**(20,358)**	(19,569)	(19,852)
Net assets	**3**	**216,374**	197,442	202,746
Capital and reserves				
Called up share capital		**42,008**	42,007	42,007
Share premium account		**17,728**	17,724	17,726
Revaluation reserve		**5,166**	5,166	5,166
Other reserves		**14,352**	14,352	14,352
Profit and loss account		**137,120**	118,193	123,495
Shareholders' funds		**216,374**	197,442	202,746
Analysis of shareholders' funds				
Equity		**215,266**	196,334	201,638
Non equity		**1,108**	1,108	1,108
		216,374	197,442	202,746

Consolidated Cash Flow Statement

for the half year ended 30 June 2003

	Notes	2003 £'000	Unaudited Half year ended June 2002 £'000	Audited Year ended December 2002 £'000
Cash inflow from operating activities	4	**28,554**	17,542	54,608
Returns on investments and servicing of finance		**(1,559)**	(683)	(3,407)
Taxation		**(6,676)**	(5,297)	(13,301)
Capital expenditure		**(18,790)**	(21,932)	(33,832)
Acquisitions and disposals		**(1,035)**	-	9,210
Equity dividends paid		**-**	-	(16,128)
Cash inflow/(outflow) before financing		**494**	(10,370)	(2,850)
Financing				
Issue of shares		**3**	141	143
Repayment of 10% cumulative preference shares		**-**	(2,274)	(2,274)
Costs associated with share cancellation		**-**	(52)	(52)
Decrease in debt and lease financing		**(1,827)**	(2,312)	(2,315)
Decrease in cash in the period		**(1,330)**	(14,867)	(7,348)

Reconciliation of Net Cash Flow to Movement in Net Debt

	2003 £'000	June 2002 £'000	December 2002 £'000
Decrease in cash in the period	**(1,330)**	(14,867)	(7,348)
Cash outflow from decrease in debt and lease financing	**1,827**	2,312	2,315
Movement in net debt in the period	**497**	(12,555)	(5,033)
Net debt at beginning of period	**(17,895)**	(12,862)	(12,862)
Net debt at end of period	**(17,398)**	(25,417)	(17,895)
Net gearing	**8.0%**	12.9%	8.8%

Consolidated Reconciliation of Movements in Shareholders' Funds

for the half year ended 30 June 2003

		Unaudited Half year ended June	Audited Year ended December
	2003	2002	2002
	£'000	£'000	£'000
Profit for the financial period	**19,762**	18,525	33,641
Dividends (preference and ordinary)	**(6,137)**	(5,610)	(16,874)
New share capital issued	**3**	141	143
Repayment and cancellation of 10% cumulative preference shares	**-**	(2,274)	(2,274)
Costs associated with share cancellation	**-**	(52)	(52)
Goodwill previously eliminated against reserves on sale and termination of business	**-**	-	1,450
Net additions to shareholders' funds	**13,628**	10,730	16,034
Shareholders' funds at beginning of period	**202,746**	186,712	186,712
Shareholders' funds at end of period	**216,374**	197,442	202,746

There were no recognised gains or losses in the period (2002: £Nil) other than those reflected above.

Notes to the Interim Statements

1 Analysis of turnover and operating profit

	2003	2002	2002
	£'000	£'000	£'000
(a) Turnover			
Landscape Products	**152,865**	143,834	270,384
Clay Products	**15,918**	15,341	30,252
Natural Stone	**14,800**	12,429	24,958
Flooring business disposed	**-**	9,658	16,462
	183,583	181,262	342,056
(b) Operating profit			
Landscape Products	**26,129**	23,660	41,248
Clay Products	**2,004**	2,710	4,372
Natural Stone	**2,421**	1,827	3,282
Flooring business disposed	**-**	759	1,427
	30,554	28,956	50,329

Notes to the Interim Statements (continued)

1 Analysis of turnover and operating profit (continued)

The non-Flooring businesses previously included within the Emerging Businesses segment are now shown within the Landscape Products segment in notes 1(a), 1(b) and 3. The comparative figures for 2002 have been restated accordingly in each of these notes. For the half year ended 30 June 2002, the Landscape Products turnover, operating profit and net assets were previously stated at £136,077,000, £22,342,000 and £170,733,000 respectively (year ended 31 December 2002: £254,515,000, £38,530,000 and £171,437,000 respectively).

Operating profit includes £137,000 of income relating to property disposals. Proceeds were £476,000 and costs and charges were £339,000.

2. Earnings per share

		Unaudited Half year ended June	Audited Year ended December
	2003	2002	2002
	£'000	£'000	£'000
Profit for the financial period attributable to ordinary shareholders	**19,726**	18,438	33,504
Profit for the financial period attributable to ordinary shares and potentially ordinary dilutive shares	**19,726**	18,438	33,504
Adjusted basic earnings per share reconciliation:			
Profit for the financial period	**19,726**	18,438	33,504
Goodwill amortisation	**710**	595	1,190
Gain on disposal and termination of business	**-**	-	(2,255)
	20,436	19,033	32,439
Weighted average number of shares	**167,145,851**	167,115,664	167,130,230
Weighted average number of shares	**167,145,851**	167,115,664	167,130,230
Dilutive shares	**48,324**	383,164	247,797
	167,194,175	167,498,828	167,378,027
Basic earnings per share	**11.80p**	11.03p	20.05p
Diluted earnings per share	**11.80p**	11.01p	20.02p
Adjusted basic earnings per share	**12.23p**	11.39p	19.41p

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

Notes to the Interim Statements (continued)

3. Analysis of net assets

		Unaudited Half year ended June	Audited Year ended December
	2003	2002	2002
	£'000	£'000	£'000
Landscape Products	**202,674**	180,097	181,513
Clay Products	**39,335**	44,778	40,780
Natural Stone	**32,180**	25,366	28,120
Flooring business disposed	**-**	7,134	-
	274,189	257,375	250,413
Unallocated net liabilities	**(57,815)**	(59,933)	(47,667)
	216,374	197,442	202,746

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

4. Reconciliation of operating profit to cash flow from operating activities

	2003	2002	2002
	£'000	£'000	£'000
Operating profit	**30,554**	28,956	50,329
Amortisation charges	**710**	595	1,190
Depreciation charges	**8,840**	7,751	15,848
Loss/(profit) on sale of tangible fixed assets other than property sales	**13**	136	(66)
Decrease/(increase) in stocks	**5,571**	(5,716)	(9,721)
Increase in debtors	**(31,108)**	(30,624)	(964)
Increase/(decrease) in creditors	**13,974**	16,444	(2,008)
	28,554	17,542	54,608

5. Pension Scheme

The Group operates a funded defined benefit pension scheme covering certain employees. The scheme was closed to new employees in October 2000. An actuarial valuation as at April 2003 is being undertaken. The results of the valuation will not be finalised until towards the end of the year. It is anticipated that the outcome of the valuation will result in a relatively modest increase in costs and this is not expected to be material in the context of the Group's results.

6. Basis of Preparation

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's 2002 Annual Report.

7. Other

The above financial information does not constitute statutory accounts. The financial information for the year ended 31 December 2002 has been extracted from the statutory accounts for that period which have been delivered to the Registrar of Companies and contain an unqualified audit report. An interim dividend of 3.65p per ordinary share will be paid on 8 December 2003 to shareholders on the register at the close of business on 7 November 2003. The ex-dividend date will be 5 November 2003.

Review Report and Shareholder Information

Independent review report by KPMG Audit Plc to Marshalls plc

Introduction
We have been instructed by the Company to review the financial information set out on pages 3 to 8 and we have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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

Directors' Responsibilities
The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where they are to be changed in the next annual financial statements in which case any changes, and the reasons for them, are to be disclosed.

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

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

Review Conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2003.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds
5 September 2003

Financial Calendar

Interim results for the year ending December 2003	Announced	5 September 2003
Interim dividend for the year ending December 2003	Payable	8 December 2003
Results for the year ending December 2003	Announcement	March 2004
Report and accounts for the year ending December 2003		April 2004
Annual General Meeting		May 2004
Final dividend for the year ending December 2003	Payable	July 2004

Registrars and General
All administrative enquiries relating to shareholdings should, in the first instance, be directed to Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BD99 7NH, telephone: 0870 702 0000, fax: 0870 703 6116 and clearly state the registered shareholder's name and address.

A copy of this report is being sent to the holders of listed securities of the Company and further copies are available for members of the public on application to the Company Secretary, Marshalls plc, Birkby Grange, Birkby Hall Road, Huddersfield HD2 2YA, telephone: 01484 438900, fax: 01484 438944.

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

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

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