



Interim results for the half year ended 30 June 2009

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

Financial Highlights

	Half year ended 30 June 2009	Half year ended 30 June 2008
Results before works closure costs:		
Revenue	£166.0m	£211.1m
Operating profit	£11.3m	£26.8m
Profit before tax	£9.0m	£22.7m
Basic EPS *	4.41p	10.51p
Interim dividend per share *	1.75p	4.07p
Reported results:		
Operating profit	£6.3m	£26.8m
Profit before tax	£4.0m	£22.7m
Basic EPS *	2.19p	10.51p

* EPS and dividend per share have been adjusted to reflect the bonus element of the Rights Issue.

Current priorities:

- Continuing emphasis on cost reduction and cash management
- Maximising short term performance by focusing on sales opportunities
- Maintaining significant operational flexibility in order to meet future demand
- Focusing on innovation and growth opportunities for the medium term

Key actions taken in 2009:

- Successful completion of £34m (net of expenses) Rights Issue
- Closure of manufacturing site at Llay in North Wales and other temporary shift reductions
- Cash release from stock ahead of plan
- Reduced capital expenditure in line with plan
- Net debt reduced to £73m following operational actions taken and Rights Issue with gearing at 38%

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

"Markets continue to remain volatile with no clear pattern emerging. In the Public Sector and Commercial market the short term outlook continues to be challenging although lead indicators predict a levelling out during the final quarter. The Construction Products Association forecast, for the Group's target market, is for a reduction in activity of 5.5 per cent in 2010. The Domestic market appears to have stabilised with installer order books holding at 7.1 weeks in line with the April 2009 position. The decisive actions that have been taken during the last twelve months have significantly reduced the Group's costs. In addition, inventory reduction and cash generation are both ahead of plan.

The Group continues to balance short term performance with the need to retain its market leading operational capability and innovation investment for the medium term. As a focussed UK Building Materials Group, Marshalls holds a leading position in its core markets, with a strong brand, an efficient manufacturing and sourcing infrastructure and an extensive national logistics network. All these factors will help Marshalls to emerge from the current market difficulties in a stronger competitive position".

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Group Results

Marshall's revenue for the half year ended 30 June 2009 was £166.0 million (2008: £211.1 million), from two fewer working days compared with the same period in 2008. Underlying daily sales revenue on a like for like basis was down 19 per cent against a comparatively strong first half in 2008.

EBITDA was £21.5 million (2008: £38.1 million) before works closure costs. Operating profit, before works closure costs, was £11.3 million (2008: £26.8 million). After works closure costs of £5.0 million (2008: Nil), reported operating profit was £6.3 million (2008: £26.8 million).

The works closure costs of £5.0 million relate to the closure of the manufacturing works at Llay in North Wales, with approximately £3 million comprising non-cash asset write offs and £2 million representing cash costs.

Net financial expenses were £2.3 million (2008: £4.1 million) and, before works closure costs, interest cover was 5.0 times (2008: 6.6 times). The effective tax rate, before works closure costs, reduced to 20.4 per cent (2008: 27.6 per cent).

After adjusting for the bonus factor in the Rights Issue, basic earnings per share, before works closure costs, was 4.41 pence (2008: 10.51 pence) per share.

The interim dividend will be 1.75 pence (2008: 4.07 pence) per share both reflecting the bonus element of the Rights Issue.

Operating Performance

Like for like sales to the Public Sector and Commercial market were 21 per cent behind the comparative period in 2008. The Public Sector and Commercial market continues to be challenging although the lead indicators predict a levelling out during the final quarter of the year. Although we expect the commercial and industrial market to remain challenging there is still work available and we are confident in our processes for securing work in these markets. The Olympics are now also gathering momentum and Marshall's is already supplying products for the surrounding infrastructure with the volume of orders, specifications and quotations continuing to increase.

In the Public Sector and Commercial market the Group's strategy continues to be to reinforce its position as a market leading landscape products specialist. Marshall's has experienced technical and sales teams focussed on the key growth areas which 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 market were 16 per cent down compared with 2008. Installer order books at the end of June 2009 remained at 7.1 weeks, unchanged from the position at April 2009 (June 2008: 8.2 weeks). Consumer confidence is low although showing some signs of recovery. In tough economic conditions there is a tendency for consumers to complete more DIY projects and this market is stabilising. The market for installed patios and driveways, which is the Group's largest market area, is more robust with the trends suggesting a shift towards the "Don't Move, Improve" category and greater resilience to the economic downturn in the "Do It For Me" sector.

The Group's sustainability credentials are a competitive advantage and are an increasingly important factor in generating new orders. New product innovation includes products specifically developed to meet environmental needs including the Priora permeable paving range which is a sustainable urban drainage system engineered for both commercial and domestic applications and Noxer paving, a hard landscaping solution which helps to remove nitrogen oxide from the atmosphere. The Group has also won awards for its approach to sustainability. Business in the Community Awards for Excellence were gained in each of the Climate Change, Eco-efficiency and Supply Chain categories and the Group also received a "Highly Commended" Marketing Society Award for Excellence in Ethical Marketing.

The operating profit margin has fallen from 12.7 per cent to 6.8 per cent due to the impact of the Group's operational gearing from significantly lower production volumes due to lower sales and stock reductions. The Group has closed four manufacturing sites in the last twelve months including, most recently, Llay in North Wales. These actions are expected to reduce fixed costs by approximately £8 million in a full year and improve operational efficiency going forward. There have been a wide range of measures to reduce costs in all parts of the business, including a full salary freeze. As part of our contingency planning a temporary "lay off" plan has been prepared and communicated and this would, if required, create greater operational flexibility whilst significantly reducing the need for further redundancies. The Group has, however, retained significant operational and manufacturing flexibility and capability which will enable it to increase output quickly, utilising this latent capacity, once demand recovers. The Group's manufacturing plants are efficient and well invested and this operational flexibility can be achieved without significant further investment.

Balance Sheet and Cash Flow

Net assets at 30 June 2009 were £193.3 million (June 2008: £203.4 million).

At 30 June 2009 net debt was £73.5 million (June 2008: £97.9 million) resulting in gearing of 38.0 per cent (June 2008: 48.1 per cent). The recent Rights Issue raised approximately £34.0 million (net of expenses) and net debt is expected to reduce further in the second half of 2009 as the impact of management action continues to take effect.

In the first half of 2009 the Group has reduced investment in capital expenditure to £4.5 million (June 2008: £12.9 million) and the stock reduction programme has led to a reduction in inventory by £6.1 million to £83.7 million (December 2008: £89.8 million). The Group continues to focus on credit control and the maintenance of credit insurance for trade receivables.

The Group has recently renewed its short term working capital facilities and a small committed facility that was due to expire later in 2009. The Group continues to have significant committed facilities in place with a positive spread of medium term maturities and with the majority of facilities not maturing until 2011 or later. The Rights Issue has created a more conservative capital structure for the medium term, providing greater financial flexibility to take advantage of selective growth and investment opportunities in the future.

The balance sheet includes the defined benefit pension obligation of £31.4 million at 30 June 2009 (December 2008: £16.5 million surplus; June 2008: £13.2 million deficit). This balance is made up of £194.0 million (December 2008: £167.3 million) in respect of the present value of the Scheme obligations and of £162.6 million (December 2008: £183.8 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 current market levels. The assumptions that have changed in the last six months are a reduction in the AA corporate bond rate from 6.7 per cent to 6.2 per cent, in line with market movements, and an increase in the expected rate of inflation from 2.75 per cent to 3.0 per cent.

Dividend

The Board has declared an interim dividend of 1.75 pence (June 2008: 4.07 pence) per share which reflects an adjustment for the bonus element of the Rights Issue. This dividend will be paid on 2 December 2009 to shareholders on the register at the close of business on 30 October 2009. The ex-dividend date will be 28 October 2009.

Outlook

Markets continue to remain volatile with no clear pattern emerging. In the Public Sector and Commercial market the short term outlook continues to be challenging although lead indicators predict a levelling out during the final quarter. The Construction Products Association forecast, for the Group's target market, is for a reduction in activity of 5.5 per cent in 2010. The Domestic market appears to have stabilised with installer order books holding at 7.1 weeks in line with the April 2009 position. The decisive actions that have been taken during the last twelve months have significantly reduced the Group's costs. In addition, inventory reduction and cash generation are both ahead of plan.

The Group continues to balance short term performance with the need to retain its market leading operational capability and innovation investment for the medium term. As a focussed UK Building Materials Group, Marshalls holds a leading position in its core markets, with a strong brand, an efficient manufacturing and sourcing infrastructure and an extensive national logistics network. All these factors will help Marshalls to emerge from the current market difficulties in a stronger competitive position.

Graham Holden
Chief Executive

Condensed Consolidated Half-yearly Income Statement

for the half year ended 30 June 2009

		Half year ended June 2009			Half year ended June 2008	Year ended December 2008		
		Before works closure costs £'000	Works closure costs £'000	Total £'000	Total £'000	Before works closure costs and asset impairments £'000	Works closure costs and asset impairments £'000	Total £'000
Revenue	2	166,023	-	166,023	211,082	378,063	-	378,063
Net operating costs	3	(154,711)	(5,022)	(159,733)	(184,298)	(347,447)	(26,989)	(374,436)
Operating profit	2	11,312	(5,022)	6,290	26,784	30,616	(26,989)	3,627
Financial expenses	5	(7,783)	-	(7,783)	(9,747)	(19,627)	-	(19,627)
Financial income	5	5,501	-	5,501	5,661	11,473	-	11,473
Profit/(loss) before tax	2	9,030	(5,022)	4,008	22,698	22,462	(26,989)	(4,527)
Income tax expense	6	(1,842)	1,406	(436)	(6,266)	(6,250)	4,556	(1,694)
Profit/(loss) for the financial period attributable to equity shareholders of the parent		7,188	(3,616)	3,572	16,432	16,212	(22,433)	(6,221)
Earnings per share:								
Basic (restated)	7	4.41p		2.19p	10.51p	10.38p		(3.98)p
Diluted (restated)	7	4.30p		2.14p	10.41p	10.26p		(3.98)p
Dividend:								
Pence per share (restated)	8			1.30p	8.31p			12.38p
Dividends declared	8			2,029	13,009			19,374

Condensed Consolidated Half-yearly Statement of Comprehensive Income

for the half year ended 30 June 2009

	Half year ended June 2009 £'000	Half year ended June 2008 £'000	Year ended December 2008 £'000
Profit/(loss) for the period	3,572	16,432	(6,221)
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	185	13	(167)
Defined benefit Scheme actuarial (loss)/gain	(49,688)	1,343	27,654
Deferred tax arising from other comprehensive income	13,861	(379)	(7,696)
Other comprehensive income for period, net of income tax	(35,642)	977	19,791
Total comprehensive income for the period (attributable to equity shareholders of the parent)	(32,070)	17,409	13,570

Condensed Consolidated Half-yearly Balance Sheet

as at 30 June 2009

	Notes	June 2009 £'000	2008 £'000	December 2008 £'000
Assets				
Non-current assets				
Property, plant and equipment		209,148	210,487	216,888
Intangible assets		41,259	60,228	41,351
Investments in associates		2,118	1,497	2,113
Employee benefits	9	-	-	16,501
Deferred taxation assets		9,146	5,553	762
		<u>261,671</u>	<u>277,765</u>	<u>277,615</u>
Current assets				
Inventories		83,725	88,016	89,814
Trade and other receivables		51,361	65,788	32,225
Cash and cash equivalents		38,358	5	538
		<u>173,444</u>	<u>153,809</u>	<u>122,577</u>
Total assets		<u><u>435,115</u></u>	<u><u>431,574</u></u>	<u><u>400,192</u></u>
Liabilities				
Current liabilities				
Bank overdraft		-	17,544	-
Trade and other payables		68,910	79,769	61,780
Corporation tax		4,802	10,720	3,855
Interest bearing loans and borrowings		23,393	18,555	23,429
		<u>97,105</u>	<u>126,588</u>	<u>89,064</u>
Non-current liabilities				
Interest bearing loans and borrowings		88,415	61,808	88,439
Employee benefits	9	31,393	13,187	-
Deferred taxation liabilities		24,913	26,550	29,452
		<u>144,721</u>	<u>101,545</u>	<u>117,891</u>
Total liabilities		<u><u>241,826</u></u>	<u><u>228,133</u></u>	<u><u>206,955</u></u>
Net assets		<u><u>193,289</u></u>	<u><u>203,441</u></u>	<u><u>193,237</u></u>
Equity				
Capital and reserves attributable to equity shareholders of the parent				
Share capital	10	49,845	35,777	35,777
Share premium account		22,695	2,734	2,734
Own shares		(9,472)	(9,472)	(9,472)
Capital redemption reserve		75,394	75,394	75,394
Consolidation reserve		(213,067)	(213,067)	(213,067)
Hedging reserve	9	9	6	(124)
Retained earnings		267,885	312,069	301,995
Equity shareholders' funds		<u><u>193,289</u></u>	<u><u>203,441</u></u>	<u><u>193,237</u></u>

Condensed Consolidated Half-yearly Cash Flow Statement

for the half year ended 30 June 2009

	Notes	Half year ended June 2009 £'000	2008 £'000	Year ended December 2008 £'000
Net cash flow from operating activities	11	6,891	2,732	21,878
Net cash flow from investing activities	11	(4,220)	(3,102)	(16,302)
Net cash flow from financing activities	11	35,149	10,652	22,783
Net increase in cash and cash equivalents		37,820	10,282	28,359
Cash and cash equivalents at beginning of period		538	(27,821)	(27,821)
Cash and cash equivalents at end of period		38,358	(17,539)	538

Reconciliation of Net Cash Flow to Movement in Net Debt

		2009 £'000	2008 £'000	2008 £'000
Net increase in cash and cash equivalents		37,820	10,282	28,359
Cash outflow/(inflow) from increase/(decrease) in debt and lease financing		60	(11,258)	(42,763)
Movement in net debt in the period		37,880	(976)	(14,404)
Net debt at beginning of the period		(111,330)	(96,926)	(96,926)
Net debt at the end of the period	12	(73,450)	(97,902)	(111,330)

Condensed Consolidated Half-yearly Statement of Changes in Equity

for the half year ended 30 June 2009

	Share capital	Share premium account	Own shares	Capital redemption reserve	Consolidation reserve	Hedging reserve	Retained earnings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current Half-yearly period							
At 1 January 2009	35,777	2,734	(9,472)	75,394	(213,067)	(124)	301,995
Share based expenses	-	-	-	-	-	-	122
Shares issued	14,068	22,520	-	-	-	-	-
Share issue costs	-	(2,559)	-	-	-	-	-
Profit for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	3,572
Dividends to shareholders	-	-	-	-	-	-	(2,029)
Actuarial loss on defined benefit pension scheme	-	-	-	-	-	-	(49,688)
Decrease in fair value of hedging derivatives	-	-	-	-	-	185	-
Deferred taxation arising	-	-	-	-	-	(52)	13,913
Total movements in the period	14,068	19,961	-	-	-	133	(34,110)
At 30 June 2009	49,845	22,695	(9,472)	75,394	(213,067)	9	267,885

	Share capital	Share premium account	Own shares	Capital redemption reserve	Consolidation reserve	Hedging reserve	Retained earnings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Prior Half-yearly period							
At 1 January 2008	35,777	2,734	(8,866)	75,394	(213,067)	(3)	308,672
Purchase of own shares	-	-	(606)	-	-	-	-
Share based expenses	-	-	-	-	-	-	(994)
Profit for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	16,432
Dividends to shareholders	-	-	-	-	-	-	(13,009)
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	-	1,343
Decrease in fair value of hedging derivatives	-	-	-	-	-	13	-
Deferred taxation arising	-	-	-	-	-	(4)	(375)
Total movements in the period	-	-	(606)	-	-	9	3,397
At 30 June 2008	35,777	2,734	(9,472)	75,394	(213,067)	6	312,069

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

for the half year ended 30 June 2009

	Share capital	Share premium account	Own shares	Capital redemption reserve	Consolidation reserve	Hedging reserve	Retained earnings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Prior year							
At 1 January 2008	35,777	2,734	(8,866)	75,394	(213,067)	(3)	308,672
Purchase of own shares	-	-	(606)	-	-	-	-
Share based expenses	-	-	-	-	-	-	(994)
Loss for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	(6,221)
Dividends to shareholders	-	-	-	-	-	-	(19,374)
Actuarial gain on defined benefit pension scheme	-	-	-	-	-	-	27,654
Increase in fair value of hedging derivatives	-	-	-	-	-	(167)	-
Deferred taxation arising	-	-	-	-	-	46	(7,742)
Total movements in the period	-	-	(606)	-	-	(121)	(6,677)
At 31 December 2008	35,777	2,734	(9,472)	75,394	(213,067)	(124)	301,995

Notes to the Condensed Consolidated Half-yearly Financial Statements

1. Basis of preparation

Marshall's 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 2009 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 28 August 2009.

The financial information contained in the Condensed Consolidated Half-yearly Financial Statements in respect of the year ended 31 December 2008 has been extracted from the 2008 Annual Report which has been filed with the Registrar of Companies. The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The auditors have reported on those Financial Statements; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

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 2008. 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.

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

1. Basis of preparation (continued)

The following published accounting standards have become effective from 1 January 2009:

- IFRS 8 - "*Operating Segments*" - Financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources. Further information relating to the Group's operating segments is included in Note 2.
- IFRIC 14 - "*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*" - This clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements ("MFR") on such assets. It also addresses when a MFR might give rise to a liability. IFRIC14 is mandatory for the Group's 2009 Financial Statements with retrospective application required. The Group does not expect this to impact on the Financial Statements as the Group has an unconditional right to a surplus.
- Revised IAS 23 "*Borrowing Costs*". The Group does not expect this to impact the Financial Statements.
- Revised IAS 1 "*Presentation of Financial Statements*". This has given rise to certain presentational changes to the Financial Statements.
- Amendments to IFRS 2 "*Share Based Payment - Vesting Conditions and Cancellations*". The Group does not expect this to impact the 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 2008.

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 13 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 25 August 2009. 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 both to raise additional funds through a Rights Issue and to align its operational capacity with expected market conditions. Based on current expectations, the Group's cash forecasts 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.

2. Segmental analysis

	Revenue		
	Half year ended June	Year ended December	
	2009	2008	2008
	£'000	£'000	£'000
Continuing operations	166,023	211,082	378,063

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

2. Segmental analysis (continued)

	Operating profit (before works closure costs and asset impairments)			Operating profit		
	Half year ended June		Year ended December	Half year ended June		Year ended December
	2009 £'000	2008 £'000	2008 £'000	2009 £'000	2008 £'000	2008 £'000
Continuing operations	11,312	26,784	30,616	6,290	26,784	3,627
Financial income and expenses (net)				(2,282)	(4,086)	(8,154)
Profit before tax	4,008			22,698		(4,527)
Geographical destination of revenue:						
	Half year ended June		Year ended December	Half year ended June		Year ended December
	2009 £'000	2008 £'000	2008 £'000	2009 £'000	2008 £'000	2008 £'000
United Kingdom	164,041	210,161	374,830			
Rest of the world	1,982	921	3,233			
	166,023	211,082	378,063			

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

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
	2009	2008	2008
	£'000	£'000	£'000
Raw materials and consumables	46,242	70,033	124,366
Changes in inventories of finished goods and work in progress	6,586	(4,663)	(8,487)
Personnel costs	42,215	48,230	91,986
Depreciation - owned	9,804	10,779	21,168
- leased	162	275	270
Own work capitalised	(1,133)	(1,185)	(2,132)
Manufacturing overheads	50,396	60,406	117,429
Amortisation of intangible assets	199	291	841
Restructuring costs	-	303	-
Strategic business initiatives: Landscape Installations	-	2,146	4,099
Strategic business initiatives: Commercial Expansion	-	500	1,371
Share of results of associates	(5)	20	69
	<hr/>	<hr/>	<hr/>
Operating costs	154,466	187,135	350,980
Other operating income	142	(666)	(1,304)
Net loss/(profit) on asset and property disposals	103	(2,171)	(2,229)
	<hr/>	<hr/>	<hr/>
Net operating costs before works closure costs and asset impairments	154,711	184,298	347,447
Works closure costs and asset impairments (Note 4)	5,022	-	26,989
	<hr/>	<hr/>	<hr/>
Net operating costs	159,733	184,298	374,436
	<hr/>	<hr/>	<hr/>

4. Works closure costs and asset impairments

	Half year ended June		Year ended December
	2009	2008	2008
	£'000	£'000	£'000
Works closure costs	5,022	-	17,677
Asset impairments	-	-	9,312
	<hr/>	<hr/>	<hr/>
	5,022	-	26,989
	<hr/>	<hr/>	<hr/>

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 Group's results for the half year ended 30 June 2009.

In the half year ended 30 June 2009, works closure costs reflect the impact of capacity reductions and the closure of the concrete manufacturing operations at Llay. In the year ended 31 December 2008 works closure costs included the closure of concrete manufacturing operations at Cannock, Sawley and Hambrook and the cost of reducing the design, managed installations and Display Centre part of the Groups Consumer Initiatives.

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

5. Financial expenses and income

	Half year ended June 2009 £'000	2008 £'000	Year ended December 2008 £'000
(a) Financial expenses			
Interest expense on bank loans, overdrafts and loan notes	1,143	3,013	6,219
Interest on obligations under the defined benefit Pension Scheme	5,495	5,580	11,106
Debenture interest expense	1,137	1,137	2,275
Finance lease interest expense	8	17	27
	<u>7,783</u>	<u>9,747</u>	<u>19,627</u>
(b) Financial income			
Expected return on Scheme assets under the defined benefit Pension Scheme	5,439	5,545	11,148
Interest receivable and similar income	62	116	325
	<u>5,501</u>	<u>5,661</u>	<u>11,473</u>

6. Income tax expense

	Half year ended June 2009			Half year ended June 2008			Year ended December 2008
	Before works closure costs £'000	Works closure costs £'000	Total £'000	Total £'000	Before works closure costs and asset impairments £'000	Works closure costs and asset impairments £'000	Total £'000
Current tax expense							
Current year	1,637	(672)	965	5,420	3,083	(2,005)	1,078
Adjustments for prior years	(1,460)	-	(1,460)	(640)	(1,241)	-	(1,241)
	<u>177</u>	<u>(672)</u>	<u>(495)</u>	<u>4,780</u>	<u>1,842</u>	<u>(2,005)</u>	<u>(163)</u>
Deferred taxation expense							
Origination and reversal of temporary differences:							
Current year	1,665	(734)	931	1,486	4,655	(2,551)	2,104
Adjustments for prior years	-	-	-	-	(247)	-	(247)
	<u>1,665</u>	<u>(734)</u>	<u>931</u>	<u>1,486</u>	<u>4,408</u>	<u>(2,551)</u>	<u>1,855</u>
Income tax expense in the Consolidated Income Statement	<u>1,842</u>	<u>(1,406)</u>	<u>436</u>	<u>6,266</u>	<u>6,250</u>	<u>(4,556)</u>	<u>1,694</u>

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

6. Income tax expense (continued)

	Half year ended June 2009		Half year ended June 2008		Year ended December 2008	
	%	£'000	%	£'000	%	£'000
Reconciliation of effective tax rate						
Profit/(loss) before tax	100.0	4,008	100.0	22,698	100.0	(4,527)
Tax using domestic corporation tax rate	28.0	1,122	28.0	6,355	28.0	(1,267)
Disallowed amortisation/impairment of intangible assets	4.1	166	0.3	79	(61.2)	2,771
Net items not taxable	15.2	608	2.1	472	(37.1)	1,678
Adjustments for prior years	(36.4)	(1,460)	(2.8)	(640)	32.9	(1,488)
	10.9	436	27.6	6,266	(37.4)	1,694

7. Earnings per share

Basic earnings per share of 2.19 pence (30 June 2008: 10.51 pence) (31 December 2008: (loss) 3.98 pence) per share is calculated by dividing the profit attributable to ordinary shareholders from total operations of £3,572,000 (30 June 2008: £16,432,000) (31 December 2008: £6,221,000 loss) by the theoretical ex-rights weighted average number of shares in issue during the period of 163,110,477 (30 June 2008: 156,308,106) (31 December 2008: 156,190,540).

Basic earnings per share before works closure and asset impairments of 4.41 pence (30 June 2008: 10.51 pence) (31 December 2008: 10.38 pence) per share is calculated by dividing the profit before works closure costs and asset impairments of £7,188,000 (30 June 2008: £16,432,000) (31 December 2008: £16,212,000) by the theoretical ex-rights weighted average number of shares in issue during the year of 163,110,477 (30 June 2008: 156,308,106) (31 December 2008: 156,190,540).

Profit attributable to ordinary shareholders

	Half year ended June		Year ended December
	2009	2008	2008
	£'000	£'000	£'000
Profit attributable to ordinary shareholders before works closure costs and asset impairments	7,188	16,432	16,212
Works closure costs and asset impairments (net of taxation)	(3,616)	-	(22,433)
Profit/(loss) attributable to ordinary shareholders	3,572	16,432	(6,221)

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

7. Earnings per share (continued)

Weighted average number of ordinary shares

	Half year ended June	Year ended December
	2009	2008
	Number	Number
Number of issued ordinary shares	143,106,254	143,106,254
Weighted average number of Rights Issue shares	23,568,818	16,568,659
Effect of shares transferred into employee benefit trust	(1,139,595)	(941,807)
Effect of treasury shares	(2,425,000)	(2,425,000)
	<hr/>	<hr/>
Weighted average number of ordinary shares at end of period	163,110,477	156,308,106
	<hr/>	<hr/>

Diluted earnings per share of 2.14 pence (30 June 2008: 10.41 pence) per share is calculated by dividing the profit attributable to ordinary shares and potentially dilutive ordinary shares of £3,572,000 (30 June 2008: £16,432,000) by the theoretical ex-rights weighted average number of shares in issue during the period of 163,110,477 (30 June 2008: 156,308,106) plus potentially dilutive shares of 3,912,520 (30 June 2008: 1,564,094) which totals 167,022,997 (30 June 2008: 157,872,200).

Diluted earnings per share before works closure costs and asset impairments of 4.30 pence (30 June 2008: 10.41 pence) (31 December 2008: 10.26 pence) per share is calculated by dividing the profit attributable to ordinary shares and potentially dilutive ordinary shares of £7,188,000 (30 June 2008: £16,432,000) (31 December 2008: £16,212,000) by the theoretical ex-rights weighted average number of shares in issue during the period of 163,110,477 (30 June 2008: 156,308,106) (31 December 2008: 156,190,540) plus potentially dilutive shares of 3,912,520 (30 June 2008: 1,564,094) (31 December 2008: 1,844,712) which totals 167,022,997 (30 June 2008: 157,872,200) (31 December 2008: 158,035,252).

Weighted average number of ordinary shares (diluted)

	Half year ended June	Year ended December
	2009	2008
	£'000	£'00
Weighted average number of ordinary shares	163,110,477	156,308,106
Effect of shares transferred into employee benefit trust	1,250,826	1,053,475
Effect of treasury shares	2,661,694	510,619
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted)	167,022,997	157,872,200
	<hr/>	<hr/>

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

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 2009 £'000	2008 £'000	Year ended December 2008 £'000
2009 interim	1.75	-	3,447	-	-
2008 final	1.30	1.45	-	-	2,029
2008 interim	4.07	4.55	-	6,365	-
			3,447	6,365	2,029

The following dividends were declared and paid by the Company or approved by the shareholders at the Annual General Meeting in the period.

	Pence per qualifying share (restated)*	Pence per qualifying share (original)	Half year ended June 2009 £'000	2008 £'000	Year ended December 2008 £'000
2008 final	1.30	1.45	2,029	-	-
2008 interim	4.07	4.55	-	-	6,365
2007 final	8.31	9.30	-	13,009	13,009
			2,029	13,009	19,374

The 2008 final dividend of 1.30 pence per qualifying ordinary share, total value £2,029,000, was paid on 3 July 2009 to shareholders registered at the close of business on 5 June 2009.

* Prior period dividends per share have been adjusted by the "bonus factor" inherent in the Rights Issue disclosed in Note 10.

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 2009 £'000	2008 £'000	December 2008 £'000
Present value of funded obligations	(194,022)	(185,738)	(167,312)
Fair value of Scheme assets	162,629	172,551	183,813
(Net liability)/surplus in the Scheme for defined benefit obligations (see below)	(31,393)	(13,187)	16,501
Experience adjustments on Scheme liabilities	(24,825)	11,212	31,184
Experience adjustments on Scheme assets	(24,863)	(9,869)	(3,530)

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

9. Employee benefits (continued)

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

	2009 £'000	June 2008 £'000	December 2008 £'000
Net surplus/(liability) for defined benefit obligations at beginning of the period	16,501	(17,795)	(17,795)
Contributions received	1,850	3,300	6,600
(Loss)/gain recognised in the Consolidated Income Statement	(56)	(35)	42
Actuarial (loss)/gain recognised in the Consolidated Statement of Comprehensive Income	(49,688)	1,343	27,654
Net (liability)/surplus in the Scheme for the defined benefit obligations at period end	(31,393)	(13,187)	16,501

The actuarial loss of £49,688,000 in the half year ended 30 June 2009 is mainly due to the net effect of the reduction in the AA corporate bond rate from 6.7 per cent to 6.2 per cent and an increase in the inflation assumption. The fair value of Scheme assets has also fallen during the period.

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

	2009 £'000	June 2008 £'000	December 2008 £'000
Discount rate (AA corporate bond rate)	6.2%	6.7%	6.7%
Expected return on Scheme assets	6.0%	6.3%	6.0%
Future salary increases	N/A	N/A	N/A
Inflation	3.0%	3.8%	2.8%
Future pension increases	3.0%	3.8%	2.8%
Future expected lifetime of pensioner at age 65 (years):			
Male:	20.4	20.1	20.4
Female:	23.4	22.9	23.4

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 has been credited to the share premium account in respect of this issue.

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

11. Notes to the cash flow statement

	Half year ended June 2009 £'000	2008 £'000	Year ended December 2008 £'000
Cash flows from operating activities			
Profit/(loss) before tax	4,008	22,698	(4,527)
Adjustments for:			
Depreciation	9,966	11,054	21,438
Amortisation	199	291	841
Works closure costs and asset impairments	5,022	-	26,989
Share of results of associates	(5)	20	69
Gain on sale of property, plant & equipment	(198)	(2,679)	(2,705)
Equity settled share based expenses	122	(994)	(994)
Financial income and expenses (net)	2,282	4,086	8,154
Operating cashflow before changes in working capital and pension scheme contributions	21,396	34,476	49,265
(Increase)/decrease in trade and other receivables	(19,136)	(22,922)	10,924
Decrease/(increase) in inventories	6,089	(5,096)	(7,675)
Increase/(decrease) in trade and other payables	5,187	7,056	(5,227)
Works closure costs paid	(3,967)	-	(5,976)
Pension scheme contributions	(1,850)	(3,300)	(6,600)
Cash generated from the operations	7,719	10,214	34,711
Financial expenses paid	(2,288)	(4,714)	(8,095)
Income tax received/(paid)	1,460	(2,768)	(4,738)
Net cash flow from operating activities	6,891	2,732	21,878
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	246	11,131	11,495
Financial income received	62	116	325
Acquisition of subsidiaries and investment in associates	-	(1,497)	(6,077)
Acquisition of property, plant and equipment	(4,380)	(12,480)	(21,242)
Acquisition of intangible assets	(148)	(372)	(803)
Net cash flow from investing activities	(4,220)	(3,102)	(16,302)
Cash flows from financing activities			
Proceeds from issue of share capital	36,588	-	-
Share issue costs paid	(1,379)	-	-
Payments to acquire own shares	-	(606)	(606)
Decrease in other debt and lease financing	(60)	(149)	(237)
Increase in borrowings	-	11,407	43,000
Equity dividends paid	-	-	(19,374)
Net cash flow from financing activities	35,149	10,652	22,783

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

12. Analysis of net debt

	1 January 2009 £'000	Cash flow £'000	30 June 2009 £'000
Cash at bank and in hand	538	37,820	38,358
Debt due within one year	(23,327)	-	(23,327)
Debt due after one year	(88,400)	-	(88,400)
Finance leases	(141)	60	(81)
	(111,330)	37,880	(73,450)

13. Borrowing facilities

The total borrowing facilities at 30 June 2009 amounted to £206.7 million (2008: £176.7 million) of which £95.0 million (2008: £79.0 million) remained unutilised. This follows the receipt of £36.6 million (gross) from the proceeds of the Rights Issue.

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 2009, in respect of which all conditions precedent had been met, were as follows:

	June 2009 £'000	2008 £'000
Committed		
- Expiring in more than two years but not more than five years	50,000	20,000
Uncommitted		
- Expiring in one year or less (with option to convert to committed)	-	31,593
- Expiring in one year or less	45,000	27,456
	95,000	79,049

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 25 August 2009, is set out as follows:

	Facility £'000	Cumulative Facility £'000
Committed facilities:		
Q2: 2014 (Debenture)	20,000	20,000
Q1: 2013	50,000	70,000
Q4: 2012	25,000	95,000
Q3: 2011	48,400	143,400
Q3: 2010	20,000	163,400
On demand facilities:		
Available all year	25,000	188,400
Seasonal (February to August inclusive)	20,000	208,400

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

14. 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 22 to 23 of the 2008 Annual Report. These cover both Strategic Risks and Financial 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. Other strategic risks include access to debt funding and uncertainty in financial markets. The Group also continues to be subject to various financial risks in relation 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. The Group continues to monitor all these risks and pursue policies that take account of, and mitigate, the risks where possible.

Responsibility Statement

We confirm that to the best of our 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 2009 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 2009 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 Board of Directors that served during the half year ended 30 June 2009 and their respective responsibilities remain unchanged from the details that can be found on pages 24 and 36 of the 2008 Annual Report.

By order of the Board

Cathy Baxandall
Company Secretary

28 August 2009

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

Independent review report to Marshalls plc

Introduction

We have been engaged by the Company to review the Condensed Consolidated Half-yearly Financial Statements in the Half-yearly Report for the half year ended 30 June 2009 which comprises the Condensed Consolidated Half-yearly Income Statement, the Condensed Consolidated Half-yearly Statement of Comprehensive Income, the Condensed Consolidated Half-yearly Balance Sheet, the Condensed Consolidated Half-yearly Cash Flow Statement, 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 Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Condensed Consolidated Half-yearly 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 Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half-yearly 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 Consolidated Half-yearly Financial Statements included in this Half-yearly Report have 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 Consolidated Half-yearly Financial Statements in the Half-yearly 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 interim 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 Consolidated Half-yearly Financial Statements in the Half-yearly Report for the half year ended 30 June 2009 are not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

RI Moffatt

For and on behalf of KPMG Audit Plc

Chartered Accountants

Leeds

28 August 2009