Marshalls

Embargoed until 7.00am on Friday 26 August 2016

Interim results for the half year ended 30 June 2016

Marshalls plc, the specialist Landscape Products Group, announces its half year results

Financial Highlights	Half Year ended 30 June 2016	Half Year ended 30 June 2015	Increase %
Revenue	£202.4m	£199.1m	2
EBITDA	£32.4m	£29.7m	9
Operating profit	£26.0m	£22.0m	18
Profit before tax	£25.1m	£20.8m	21
Basic EPS	10.36p	8.50p	22
Interim dividend	2.90p	2.25p	29
ROCE	19.9%	15.2%	↑ 470 basis points
Net debt to EBITDA	0.2 times	0.7 times	

Highlights:

- Revenue up 2% to £202.4 million (2015: £199.1 million)
- EBITDA up 9% to £32.4 million (2015: £29.7 million)
- Improvement in operating margins to 12.8% (2015: 11.1%)
- Profit before tax up 21% to £25.1 million (2015: £20.8 million)
- Strong operating cash flow with sustainable working capital improvements
- Return on capital employed for the year ended 30 June 2016 up 31% (470 basis points) to 19.9% (2015: 15.2%)
- EPS up 22% to 10.36 pence (2015: 8.50 pence)
- Interim dividend increased by 29% to 2.90 pence (2015: 2.25 pence) per share
- Net debt of £8.8 million (30 June 2015: £32.9 million) with significant borrowing capacity
- The Board is confident of achieving its expectations for 2016

Current priorities:

- To deliver the growth initiatives set out in the 2020 strategy
- To drive through sustainable cost reductions, innovation and improvements in operational efficiency
- To grow our business organically and selectively through acquisitions
- To continue to develop and invest in our strategic growth initiatives, particularly in Water Management, Street Furniture, Rail and Newbuild Housing
- To develop the Group's wide ranging digital strategy

Commenting on these results, Martyn Coffey, Chief Executive, said:

"Following a strong first half, the Group's focus remains the delivery of the growth initiatives set out in the 2020 Strategy, whilst maintaining a strong balance sheet and flexible capital structure. The underlying medium to long-term market indicators remain supportive notwithstanding the heightened economic and political uncertainty since the EU referendum. This increased uncertainty has not impacted underlying trading to date although we continue to monitor closely the wider business environment. The Board is confident of achieving its expectations for 2016.

The Group continues to invest in product innovation and service delivery initiatives and is driving through sustainable cost reductions and improvements in operational efficiency. This continues to improve the operational gearing across the Group which, alongside Marshalls' growth strategy, will drive future shareholder return."

There will be a presentation for analysts and investors today at 9.00 am with a telephone dial in facility available tel: number **+44 (0)203 433 3570** - Access Code: **7494 9045 19#.** Marshalls' Analyst Presentation will be available for analysts and investors who are unable to attend the presentation. The presentation can be viewed on Marshalls' website at www.marshalls.co.uk.

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Interim Management Report

Group results

Marshalls' revenue for the 6 months ended 30 June 2016 grew by 2 per cent to £202.4 million (2015: £199.1 million). Despite recent economic and political uncertainty following the EU referendum, underlying trading conditions remain supportive. The Group delivered a strong sales performance in May and June and the moving average monthly revenue trend shows that 2016 sales still exceed those of previous years for the same period. The Group has continued to experience strong order intake during the second half.

Sales to the Public Sector and Commercial end market, which represent approximately 63 per cent of Group sales, were broadly flat compared with the prior year period. Sales to the Domestic end market, which represent approximately 32 per cent of Group sales, were up 7.1 per cent. Revenue in May and June was particularly strong in the Domestic end market, where growth was 12 per cent year on year. The survey of domestic installers at the end of June 2016 revealed continuing strong order books of 11.7 weeks (2015: 12.0 weeks) and compares with 12.4 weeks at the end of April 2016.

Sales in the International business decreased by 10.8 per cent in the 6 months ended 30 June 2016 and represent 5 per cent of Group sales. However, despite the reduction in revenue, there has been a reduced loss within the International business. The new sales office in Dubai opened in January 2016 and this is having a positive impact on sales and order generation in the Middle East.

Operating profit increased to £26.0 million (2015: £22.0 million) and EBITDA also improved to £32.4 million (2015: £29.7 million).

Group return on capital employed ("ROCE") was 19.9 per cent for the year ended 30 June 2016, which represents an increase of 470 basis points compared with the prior year. ROCE is defined as EBITA divided by shareholders' funds plus net debt.

Net financial expenses were £0.8 million (2015: £1.2 million) and interest was strongly covered 31.4 times (2015: 18.5 times). The effective tax rate was 19.1 per cent (2015: 20.8 per cent).

Basic EPS was 10.36 pence (2015: 8.50 pence) per share. The interim dividend will be 2.90 pence (2015: 2.25 pence) per share, reflecting the strong cash generation and the Board's confidence in the future.

Significant cash generation and sustained working capital improvements have seen the Group's net debt fall to £8.8 million at 30 June 2016 (30 June 2015: £32.9 million).

2020 Strategy

The Group's strategy is to grow the business organically and selectively through acquisitions. The strategic objectives include the improvement of profit margins in all businesses and to increase the Group's ROCE. The 2020 Strategy is being driven by a focus on innovation and new product development. The aim is to extend the product range and provide more integrated solutions to improve the customer experience and differentiate the Marshalls brand. The strategy is to maintain a conservative balance sheet and a flexible capital structure that recognises cyclical risk, while focusing on security, efficiency and liquidity.

Current Priorities

The Group's key priority is to deliver improvement in profit margins in all businesses and end markets through the continued focus on service, quality, design, innovation and a commitment to research and development and sustainability. The aim is to drive through sustainable cost reductions and improvements in operational efficiency. Marshalls' digital strategy is increasing in its importance, combining digital trading, digital marketing and digital business. This strategy is focused on the customer experience and the key touchpoints therein. Specifically we have created web and mobile applications which allow customers to model their requirements, allow digital access to the registered installer base and allow real-time visibility of stock.

Operating Performance

Operating margins increased to 12.8 per cent in the 6 months ended 30 June 2016 (2015: 11.1 per cent), representing an improvement of 15.3 per cent and reflecting improved operational efficiency.

Revenue increased by £2.0 million and operating profit by £3.2 million in the Landscape Products business which serves both the UK Public Sector and Commercial and UK Domestic end markets. The increase in operating margins within the Landscape Products business is due to the delivery of sustainable cost reductions and operational efficiency improvements. The smaller UK businesses have collectively delivered revenue growth of £2.5 million and operating profit growth of £0.7 million in the 6 months ended 30 June 2016. Delivering growth in the smaller UK businesses is a key part of the 2020 Strategy and these include Street Furniture, Mineral Products and Stone Cladding.

In the Public Sector and Commercial end market, Marshalls' continuing strategy is to enhance its market leading position as a landscape products specialist. The Group's experienced technical and sales teams continue to promote a full range of integrated products and sustainable solutions to customers, architects and contractors. Commercial order intake and demand continues to be strong in Water Management, Newbuild Housing and Rail and particular focus is being directed to these markets. Crossrail is a particular focus with product opportunities for station platforms, concourses and adjacent public spaces.

In the Domestic end market the Group continues to drive more sales through the Marshalls Register of approved domestic installers, which has now grown to nearly 1,900 teams. This represents an increase of 5 per cent over the last 12 months. The Group remains committed to improving the product mix and to achieving a consistently high standard of quality, customer service and marketing support.

As a key part of the 2020 Strategy, the Group continues to focus on innovation and new product development to drive sales growth. Research and development expenditure in the 6 months ended 30 June 2016 amounted to £1.6 million (2015: £1.6 million). Investment in research and development includes project engineering to enhance manufacturing capabilities, concrete and other materials technology innovations and extending the new product pipeline. Revenue from new products in the core Landscape Products business increased by 11 per cent in the 6 months ended 30 June 2016, and represents 13 per cent of its sales.

The Group's previously announced "Self-Help" capital investment programme is on track and progressing well. This investment is in addition to our normal annual capital expenditure and will total £15 million over the next 3 years and is expected to deliver cost savings of £5 million per annum by 2019. The detailed plan includes various projects within Natural Stone, block paving and automated material handling.

Ongoing progress is being made developing the International business and the Group continues to improve its global infrastructure, supply chains and routes to market. Whilst the Belgium business has again improved, the market background in mainland Europe remains subdued. Our US business looks to increase the distribution of our natural stone products into the North American market and the new sales office in Dubai is already generating further sales growth in the Middle East.

Balance Sheet and Cash Flow

Net assets at 30 June 2016 were £204.9 million (June 2015: £184.0 million).

In the 6 months ended 30 June 2016 net cash flows from operating activities were £9.3 million (2015: £5.2 million). This strong cash generation has enabled net debt at 30 June 2016 to be reduced to £8.8 million (June 2015: £32.9 million) with gearing at 4.3 per cent (June 2015: 17.9 per cent).

The Group continues to focus on maintaining a strong balance sheet supported by robust capital disciplines. Strong cash management continues to be a high priority area. The Group operates tight control over business, operational and financial procedures and continues to focus on inventory and capital expenditure management and trade receivables. Capital investment in property, plant and equipment in the 6 months ended 30 June 2016 totalled £5.8 million (2015: £5.5 million) and this compares with depreciation of £5.9 million (2015: £7.0 million).

The Group's bank facilities support our current strategy and continued strong cash management focus ensures headroom against available facilities remains at appropriately conservative levels. Our committed facilities have been extended one year to 2021 to enhance the maturity profile and, in August 2016, the Group also renewed its short-term working capital facilities with RBS. Marshalls maintains a policy of having significant committed facilities in place with a positive spread of medium-term maturities.

The balance sheet value of the defined benefit pension scheme was a surplus of £7.9 million at 30 June 2016 (December 2015: £3.4 million surplus; June 2015: £0.8 million surplus). The surplus has been determined by the scheme actuary using assumptions that are considered to be prudent and in line with current market levels. Significant market volatility has been evident in the first 6 months of 2016 and this volatility increased further following the EU referendum on 23 June 2016. The most notable change has been a reduction in the AA corporate bond rate from 3.7 per cent to 2.7 per cent, in line with market movements. This caused the IAS 19 pension liabilities to increase by £48.6 million. However, the scheme assets have increased by £53.1 million due mainly to the high proportion of liability-driven investments whose performance matches the liabilities. The expected rate of inflation reduced to 2.9 per cent from 3.1 per cent at 31 December 2015.

Dividend

The Group has a progressive dividend policy with a stated objective of achieving up to 2 times dividend cover over the business cycle. The Board has declared an interim dividend of 2.90 pence (June 2015: 2.25 pence) per share, an increase of 29 per cent which reflects the strong cash generation. This dividend will be paid on 2 December 2016 to shareholders on the register at the close of business on 21 October 2016. The ex-dividend date will be 20 October 2016.

Risks and Uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining 6 months of the financial year and could cause actual results to differ materially from expected and historical results. While recognising some increased economic uncertainty post the EU referendum, the Directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 December 2015. A detailed explanation of the risks, and how the Group seeks to mitigate these risks, can be found on pages 20 to 23 of the Annual Report, which is available at www.marshalls.co.uk/documents/reports/2015-full-annual-report.

Going concern

As stated in Note 1 of the 2016 Half-yearly Report, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Half-yearly Report.

Outlook

Following a strong first half, the Group's focus remains the delivery of the growth initiatives set out in the 2020 Strategy, whilst maintaining a strong balance sheet and flexible capital structure. The underlying medium to long-term market indicators remain supportive notwithstanding the heightened economic and political uncertainty since the EU referendum. This increased uncertainty has not impacted underlying trading to date although we continue to monitor closely the wider business environment. The Board is confident of achieving its expectations for 2016.

The Group continues to invest in product innovation and service delivery initiatives and is driving through sustainable cost reductions and improvements in operational efficiency. This continues to improve the operational gearing across the Group which, alongside Marshalls' growth strategy, will drive future shareholder return.

Martyn Coffey
Chief Executive

Condensed Consolidated Half-yearly Income Statement

for the half year ended 30 June 2016

	Notes	Half year ended June 2016 £'000	Half year ended June 2015 £'000	Year ended December 2015 £'000
Revenue	2	**202,371**	199,067	386,204
Net operating costs	3	**(176,402)**	(177,053)	(348,752)
Operating profit	2	**25,969**	22,014	37,452
Financial expenses	4	**(826)**	(1,197)	(2,181)
Financial income	4	**-**	5	7
Profit before tax	2	**25,143**	20,822	35,278
Income tax expense	5	**(4,812)**	(4,335)	(7,387)
Profit for the financial period		**20,331**	16,487	27,891
Profit for the period				
Attributable to:				
Equity shareholders of the Parent		**20,411**	16,711	28,149
Non-controlling interests		**(80)**	(224)	(258)
		20,331	16,487	27,891
Earnings per share				
Basic	6	**10.36p**	8.50p	14.32p
Diluted	6	**10.22p**	8.39p	14.10p
Dividend				
Pence per share	7	**4.75p**	4.00p	6.25p
Supplementary		**2.00p**	-	-
Dividends declared	7	**13,314**	7,866	12,291

All results relate to continuing operations.

Condensed Consolidated Half-yearly Statement of Comprehensive Income

for the half year ended 30 June 2016

	Half year ended June 2016 £'000	Half year ended June 2015 £'000	Year ended December 2015 £'000
Profit for the financial period	**20,331**	16,487	27,891
Other comprehensive income / (expense)			
Items that will not be reclassified to the Income Statement:			
Remeasurements of the net defined benefit liability	**4,759**	(6,777)	(3,866)
Deferred tax arising	**(857)**	1,355	773
Total items that will not be reclassified to the Income Statement	**3,902**	(5,422)	(3,093)
Items that are or may in the future be reclassified to the Income Statement:			
Effective portion of changes in fair value of cash flow hedges	**412**	602	(940)
Fair value of cash flow hedges transferred to the Income Statement	**1,220**	870	1,984
Deferred tax arising	**(327)**	(294)	(209)
Impact of the change in rate of deferred tax	**-**	-	(375)
Exchange difference on retranslation of foreign currency net investment	**2,275**	(1,718)	(980)
Exchange movements associated with borrowings	**(2,158)**	1,719	847
Foreign currency translation differences – non-controlling interests	**137**	(136)	(78)
Total items that are or may be reclassified subsequently to the Income Statement	**1,559**	1,043	249
Other comprehensive income / (expense) for the period, net of income tax	**5,461**	(4,379)	(2,844)
Total comprehensive income for the period	**25,792**	12,108	25,047
Attributable to:			
Equity shareholders of the Parent	**25,735**	12,468	25,383
Non-controlling interests	**57**	(360)	(336)
	25,792	12,108	25,047

Condensed Consolidated Half-yearly Balance Sheet

as at 30 June 2016

	Notes	June 2016 £'000	June 2015 £'000	December 2015 £'000
Assets				
Non-current assets				
Property, plant and equipment		**147,736**	148,025	147,489
Intangible assets		**40,091**	40,374	40,168
Investments in associates		**-**	854	-
Trade and other receivables		**415**	-	415
Employee benefits	8	**7,892**	799	3,427
Deferred taxation assets		**1,364**	1,325	1,316
		197,498	191,377	192,815
Current assets				
Inventories		**67,448**	70,269	65,254
Trade and other receivables		**65,847**	69,713	44,542
Cash and cash equivalents		**25,631**	20,500	24,990
Assets classified as held for sale		**2,519**	-	2,231
		161,445	160,482	137,017
Total assets		**358,943**	351,859	329,832
Liabilities				
Current liabilities				
Trade and other payables		**98,071**	94,337	79,607
Corporation tax		**6,887**	4,443	5,281
Interest bearing loans and borrowings		**33**	33	34
Derivative financial instruments		**515**	1,719	2,149
		105,506	100,532	87,071
Non-current liabilities				
Interest bearing loans and borrowings		**34,425**	53,397	36,418
Deferred taxation liabilities		**14,142**	13,966	13,625
		48,567	67,363	50,043
Total liabilities		**154,073**	167,895	137,114
Net assets		**204,870**	183,964	192,718
Equity				
Capital and reserves attributable to equity shareholders of the Parent				
Share capital		**49,845**	49,845	49,845
Share premium account		**22,695**	22,695	22,695
Own shares		**(3,664)**	(5,532)	(5,529)
Capital redemption reserve		**75,394**	75,394	75,394
Consolidation reserve		**(213,067)**	(213,067)	(213,067)
Hedging reserve		**(348)**	(1,310)	(1,653)
Retained earnings		**272,819**	254,824	263,894
Equity attributable to equity shareholders of the Parent		**203,674**	182,849	191,579
Non-controlling interests		**1,196**	1,115	1,139
Total equity		**204,870**	183,964	192,718

Condensed Consolidated Half-yearly Cash Flow Statement

for the half year ended 30 June 2016

	Half year ended June		Year ended December
	2016	2015	2015
	£'000	£'000	£'000
Cash flows from operating activities			
Profit for the financial period	**20,331**	16,487	27,891
Income tax expense	**4,812**	4,335	7,387
Profit before tax	**25,143**	20,822	35,278
Adjustments for:			
Depreciation	**5,916**	7,006	13,054
Amortisation	**496**	645	1,322
Associates	**-**	(72)	582
(Gain) / loss on sale of property, plant and equipment	**(86)**	84	(149)
Equity settled share-based expenses	**629**	974	2,202
Financial income and expenses (net)	**826**	1,192	2,174
Operating cash flow before changes in working capital and pension scheme contributions	**32,924**	30,651	54,463
Increase in trade and other receivables	**(21,120)**	(39,119)	(443)
(Increase) / decrease in inventories	**(1,308)**	(3,584)	1,706
Increase in trade and other payables	**3,098**	26,608	7,262
Operational restructuring costs paid	**-**	(260)	(175)
Pension scheme contributions	**-**	(4,300)	(4,350)
Cash generated from operations	**13,594**	9,996	58,463
Financial expenses paid	**(579)**	(1,074)	(1,775)
Income tax paid	**(3,665)**	(3,724)	(7,003)
Net cash flow from operating activities	**9,350**	5,198	49,685
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**490**	93	933
Financial income received	**-**	5	7
Net proceeds from disposal of associates	**-**	-	200
Acquisition of property, plant and equipment	**(5,764)**	(5,545)	(14,016)
Acquisition of intangible assets	**(419)**	(441)	(909)
Net cash flow from investing activities	**(5,693)**	(5,888)	(13,785)
Cash flows from financing activities			
Payments to acquire own shares	**(1,175)**	(3,461)	(4,582)
Net (decrease) in other debt and finance leases	**-**	(117)	(166)
(Decrease) / increase in borrowings	**(1,997)**	4,465	(14,182)
Equity dividends paid	**-**	-	(12,291)
Net cash flow from financing activities	**(3,172)**	887	(31,221)
Net increase in cash and cash equivalents	**485**	197	4,679
Cash and cash equivalents at beginning of the period	**24,990**	20,320	20,320
Effect of exchange rate fluctuations	**156**	(17)	(9)
Cash and cash equivalents at end of the period	**25,631**	20,500	24,990

Condensed Consolidated Half-yearly Statement of Changes in Equity

for the half year ended 30 June 2016

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

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

for the half year ended 30 June 2016

	Attributable to equity holders of the Company									
	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	Non-con-trolling interests £'000	Total equity £'000
Prior half year										
At 1 January 2015	49,845	22,695	(6,689)	75,394	(213,067)	(2,488)	254,729	180,419	1,475	181,894
Total comprehensive income / (expense) for the period										
Profit/ (loss) for the financial period attributable to equity shareholders of the Parent	-	-	-	-	-	-	16,711	16,711	(224)	16,487
Other comprehensive income / (expense)										
Foreign currency translation differences	-	-	-	-	-	-	1	1	(136)	(135)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	602	-	602	-	602
Net change in fair value of cash flow hedges transferred to the Income Statement	-	-	-	-	-	870	-	870	-	870
Deferred tax arising	-	-	-	-	-	(294)	-	(294)	-	(294)
Defined benefit plan actuarial losses	-	-	-	-	-	-	(6,777)	(6,777)	-	(6,777)
Deferred tax arising	-	-	-	-	-	-	1,355	1,355	-	1,355
Total other comprehensive income / (expense)	-	-	-	-	-	1,178	(5,421)	(4,243)	(136)	(4,379)
Total comprehensive income / (expense) for the period	-	-	-	-	-	1,178	11,290	12,468	(360)	12,108
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	-	-	-	-	-	-	974	974	-	974
Deferred tax on share-based payments	-	-	-	-	-	-	100	100	-	100
Corporation tax on share-based payments	-	-	-	-	-	-	215	215	-	215
Dividends to equity shareholders	-	-	-	-	-	-	(7,866)	(7,866)	-	(7,866)
Purchase of own shares	-	-	(3,461)	-	-	-	-	(3,461)	-	(3,461)
Disposal of own shares	-	-	4,618	-	-	-	(4,618)	-	-	-
Total contributions by and distributions to owners	-	-	1,157	-	-	-	(11,195)	(10,038)	-	(10,038)
Total transactions with owners of the Company	-	-	1,157	-	-	1,178	95	2,430	(360)	2,070
At 30 June 2015	**49,845**	**22,695**	**(5,532)**	**75,394**	**(213,067)**	**(1,310)**	**254,824**	**182,849**	**1,115**	**183,964**

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

for the half year ended 30 June 2016

	Attributable to equity holders of the Company									
	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	Non-con-trolling interests £'000	Total equity £'000
Prior year										
At 1 January 2015	49,845	22,695	(6,689)	75,394	(213,067)	(2,488)	254,729	180,419	1,475	181,894
Total comprehensive income / (expense) for the period										
Profit / (loss) for the financial period attributable to equity shareholders of the Parent	-	-	-	-	-	-	28,149	28,149	(258)	27,891
Other comprehensive income / (expense)										
Foreign currency translation differences	-	-	-	-	-	-	(133)	(133)	(78)	(211)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	(940)	-	(940)	-	(940)
Net change in fair value of cash flow hedges transferred to the Income Statement	-	-	-	-	-	1,984	-	1,984	-	1,984
Deferred tax arising	-	-	-	-	-	(209)	-	(209)	-	(209)
Defined benefit plan actuarial losses	-	-	-	-	-	-	(3,866)	(3,866)	-	(3,866)
Impact of change of rate of deferred tax	-	-	-	-	-	-	(375)	(375)	-	(375)
Deferred tax arising	-	-	-	-	-	-	773	773	-	773
Total other comprehensive income / (expense)	-	-	-	-	-	835	(3,601)	(2,766)	(78)	(2,844)
Total comprehensive income / (expense) for the period	-	-	-	-	-	835	24,548	25,383	(336)	25,047
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	-	-	-	-	-	-	2,202	2,202	-	2,202
Deferred tax on share-based payments	-	-	-	-	-	-	(5)	(5)	-	(5)
Corporation tax on share-based payments	-	-	-	-	-	-	445	445	-	445
Impact of the change in rate of deferred tax on share-based payments	-	-	-	-	-	-	8	8	-	8
Dividends to equity shareholders	-	-	-	-	-	-	(12,291)	(12,291)	-	(12,291)
Purchase of own shares	-	-	(4,582)	-	-	-	-	(4,582)	-	(4,582)
Disposal of own shares	-	-	5,742	-	-	-	(5,742)	-	-	-
Total contributions by and distributions to owners	-	-	1,160	-	-	-	(15,383)	(14,223)	-	(14,223)
Total transactions with owners of the Company	-	-	1,160	-	-	835	9,165	11,160	(336)	10,824
At 31 December 2015	49,845	22,695	(5,529)	75,394	(213,067)	(1,653)	263,894	191,579	1,139	192,718

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 2016 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 Conduct 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 26 August 2016. The Condensed Consolidated Half-yearly Financial Statements are not statutory accounts as defined by Section 434 of the Companies Act 2006.

The Condensed Consolidated Financial Statements for the half year ended 30 June 2016 and comparative period have not been audited. The Auditor has carried out a review of the Half-yearly Financial Information and their report is set out on page 23.

The financial information for the year ended 31 December 2015 has been extracted from the annual Financial Statements, included in the Annual Report 2015, which has been filed with the Registrar of Companies. The report of the Auditor was: (i) unqualified; (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under Section 498 (2) and (3) of the Companies Act 2006.

The annual Financial Statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of Financial Statements has, other than in respect of the matters referred to below, been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published Consolidated Financial Statements for the year ended 31 December 2015.

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

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

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and 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 2015.

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.

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

1. Basis of preparation (continued)

Details of the Group's funding position are set out in Note 10 and are subject to normal covenant arrangements. The Group's on-demand overdraft facility is reviewed on an annual basis and the current arrangements were renewed and signed on 16 August 2016. Management believe that there are sufficient unutilised facilities held, which mature after 12 months. The Group's performance is dependent on economic and market conditions, the outlook for which is difficult to predict. Based on current expectations, the Group's cash forecasts continue to meet half year and year end bank covenants and there is adequate headroom that is not dependent on facility renewals. After considering relevant uncertainties, the Directors believe that the Group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Consolidated Half-yearly Financial Statements.

The June 2015 comparative amounts for trade receivables and other payables have been restated by £11,384,000 to reflect comparability with regards to gross settled transactions. Notes 2 and 11 have also been updated accordingly.

2. Segmental analysis

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

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

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

2. Segmental analysis (continued)

Segment revenues and results

	Half year ended June 2016			Half year ended June 2015			Year ended December 2015		
	Landscape Products £'000	**Other £'000**	**Total £'000**	Landscape Products £'000	Other £'000	Total £'000	Landscape Products £'000	Other £'000	Total £'000
External revenue	**156,967**	**47,074**	**204,041**	154,590	46,756	201,346	299,650	90,915	390,565
Inter-segment revenue	**(58)**	**(1,612)**	**(1,670)**	(18)	(2,261)	(2,279)	(123)	(4,238)	(4,361)
Total revenue	**156,909**	**45,462**	**202,371**	154,572	44,495	199,067	299,527	86,677	386,204
Segment operating profit	**26,538**	**1,477**	**28,015**	24,710	720	25,430	41,816	1,763	43,579
Unallocated administration costs			**(2,046)**			(3,488)			(5,545)
Share of profits of associates			**-**			72			(582)
Operating profit			**25,969**			22,014			37,452
Finance charges (net)			**(826)**			(1,192)			(2,174)
Profit before tax			**25,143**			20,822			35,278
Taxation			**(4,812)**			(4,335)			(7,387)
Profit after tax			**20,331**			16,487			27,891

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

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

Segment assets	**June 2016 £'000**	June 2015 £'000	December 2015 £'000
Fixed assets and inventory:			
Landscape Products	**157,453**	158,807	156,112
Other	**57,731**	59,487	56,631
Total segment fixed assets and inventory	**215,184**	218,294	212,743
Unallocated assets	**143,759**	133,565	117,089
Consolidated total assets	**358,943**	351,859	329,832

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

2. Segmental analysis (continued)

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

Other segment information

	Depreciation and amortisation			Fixed asset additions		
	Half year ended June		Year ended December	Half year ended June		Year ended December
	2016	2015	2015	**2016**	2015	2015
	£'000	£'000	£'000	**£'000**	£'000	£'000
Landscape Products	**4,714**	5,286	10,465	**4,703**	4,594	11,678
Other	**1,698**	2,365	3,911	**993**	1,392	3,816
	6,412	7,651	14,376	**5,696**	5,986	15,494

Geographical destination of revenue

	Half year ended June		Year ended December
	2016	2015	2015
	£'000	£'000	£'000
United Kingdom	**191,645**	187,062	367,248
Rest of the World	**10,726**	12,005	18,956
	202,371	199,067	386,204

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

3. Net operating costs

	Half year ended June		Year ended December
	2016	2015	2015
	£'000	£'000	£'000
Raw materials and consumables	**76,547**	73,124	141,471
Changes in inventories of finished goods and work in progress	**(3,165)**	(1,494)	(1,801)
Personnel costs	**49,628**	48,744	96,716
Depreciation - owned	**5,916**	7,006	13,054
Amortisation of intangible assets	**496**	645	1,322
Own work capitalised	**(782)**	(907)	(1,810)
Other operating costs	**48,660**	50,551	100,707
Operating costs	**177,300**	177,669	349,659
Other income	**(812)**	(628)	(1,340)
Net (gain) / loss on asset and property disposals	**(86)**	84	(149)
Share of results of associates	**-**	(72)	582
Net operating costs	**176,402**	177,053	348,752

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

4. Financial expenses and income

	Half year ended June 2016 £'000	2015 £'000	Year ended December 2015 £'000
(a) Financial expenses			
Net interest expense on defined benefit pension scheme	**244**	123	406
Interest expense on bank loans, overdrafts and loan notes	**579**	1,070	1,767
Finance lease interest expense	**3**	4	8
	826	1,197	2,181
(b) Financial income			
Interest receivable and similar income	**-**	5	7

5. Income tax expense

	Half year ended June 2016 £'000	2015 £'000	Year ended December 2015 £'000
Current tax expense			
Current year	**5,946**	4,057	8,164
Adjustments for prior years	**(371)**	49	289
	5,575	4,106	8,453
Deferred taxation expense			
Origination and reversal of temporary differences:			
Current year	**(711)**	162	(684)
Adjustments for prior years	**(52)**	67	(382)
Total tax expense	**4,812**	4,335	7,387

	Half year ended June 2016 %	2016 £'000	2015 %	2015 £'000	Year ended December 2015 %	Year ended December 2015 £'000
Reconciliation of effective tax rate						
Profit before tax	**100.0**	**25,143**	100.0	20,822	100.0	35,278
Tax using domestic corporation tax rate	**20.0**	**5,029**	20.2	4,206	20.2	7,144
Impact of capital allowances in excess of depreciation	**1.7**	**431**	2.6	531	2.0	710
Short-term timing differences	**(0.2)**	**(62)**	-	-	(0.2)	(81)
Adjustment to tax charge in prior period	**(1.5)**	**(371)**	0.2	49	0.8	289
Pension scheme movements	**-**	**-**	(4.0)	(835)	(2.1)	(755)
Expenses not deductible for tax purposes	**2.2**	**549**	0.7	155	3.2	1,146
Corporation tax charge for the period	**22.2**	**5,576**	19.7	4,106	23.9	8,453
Impact of capital allowances in excess of depreciation	**(2.2)**	**(556)**	(3.6)	(732)	(1.0)	(355)
Short-term timing differences	**(0.2)**	**(56)**	-	(9)	(0.2)	(79)
Pension scheme movements	**-**	**-**	4.0	825	2.1	746
Other items	**(0.4)**	**(99)**	0.4	78	(0.3)	(100)
Adjustment to tax charge in prior period	**(0.2)**	**(53)**	0.3	67	(1.1)	(382)
Impact of the change in the rate of corporation tax on deferred taxation	**-**	**-**	-	-	(2.5)	(896)
Total tax charge for the period	**19.2**	**4,812**	20.8	4,335	20.9	7,387

5. Income tax expense (continued)

The net amount of deferred taxation (debited) / credited to the Consolidated Statement of Comprehensive Income in the period was £1,184,000 debit (30 June 2015: £1,061,000 credit; 31 December 2015: £189,000 credit). The effective tax rate used is management's best estimate of the average annual effective tax rate expected for the full year, applied to pre-tax income for the 6-month period.

6. Earnings per share

Basic earnings per share of 10.36 pence (30 June 2015: 8.50 pence; 31 December 2015: 14.32 pence) per share is calculated by dividing the profit attributable to Ordinary shareholders for the financial period, after adjusting for non-controlling interests, of £20,411,000 (30 June 2015: £16,711,000; 31 December 2015: £28,149,000) by the weighted average number of shares in issue during the period of 197,013,990 (30 June 2015: 196,484,800; 31 December 2015: 196,574,435).

Profit attributable to Ordinary shareholders

	Half year ended June		Year ended December
	2016	2015	2015
	£'000	£'000	£'000
Profit for the financial period	**20,331**	16,487	27,891
Loss attributable to non-controlling interests	**80**	224	258
Profit attributable to Ordinary shareholders	**20,411**	16,711	28,149

Weighted average number of Ordinary shares

	Half year ended June		Year ended December
	2016	2015	2015
	Number	Number	Number
Number of issued Ordinary shares (at beginning of the period)	**199,378,755**	199,378,755	199,378,755
Effect of shares transferred into employee benefit trust	**(2,364,765)**	(2,893,955)	(2,804,320)
Weighted average number of Ordinary shares at end of the period	**197,013,990**	196,484,800	196,574,435

Diluted earnings per share of 10.22 pence (30 June 2015: 8.39 pence; 31 December 2015: 14.10 pence) per share is calculated by dividing the profit for the financial period, after adjusting for non-controlling interests, of £20,411,000 (30 June 2015: £16,711,000; 31 December 2015: £28,149,000) by the weighted average number of shares in issue during the period of 197,013,990 (30 June 2015: 196,484,800; 31 December 2015: 196,574,435), plus potentially dilutive shares of 2,629,255 (30 June 2015: 2,734,019; 31 December 2015: 3,092,619), which totals 199,643,245 (30 June 2015: 199,218,819; 31 December 2015: 199,667,054).

Weighted average number of Ordinary shares (diluted)

	Half year ended June		Year ended December
	2016	2015	2015
	Number	Number	Number
Weighted average number of Ordinary shares	**197,013,990**	196,484,800	196,574,435
Dilutive shares	**2,629,255**	2,734,019	3,092,619
Weighted average number of Ordinary shares (diluted)	**199,643,245**	199,218,819	199,667,054

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

7. Dividends

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

	Pence per qualifying share	Half year ended June **2016** **£'000**	2015 £'000	Year ended December 2015 £'000
2016 interim	2.90	**5,693**	-	-
2015 supplementary	2.00	**-**	-	3,988
2015 final	4.75	**-**	-	9,470
2015 interim	2.25	**-**	4,425	4,425
		5,693	4,425	17,883

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

	Pence per qualifying share	Half year ended June **2016** **£'000**	2015 £'000	Year ended December 2015 £'000
2015 supplementary	2.00	**3,945**	-	-
2015 final	4.75	**9,369**	-	-
2015 interim	2.25	**-**	-	4,425
2014 final	4.00	**-**	7,866	7,866
		13,314	7,866	12,291

The 2015 final dividend of 4.75 pence per qualifying ordinary share alongside a supplementary dividend of 2.00 pence per qualifying Ordinary share (total value £13,314,000) was paid on 8 July 2016 to shareholders registered at the close of business on 3 June 2016.

The Board has declared an interim dividend of 2.90 pence (June 2015: 2.25 pence) per share. This dividend will be paid on 2 December 2016 to shareholders on the register at the close of business on 21 October 2016. The ex-dividend date will be 20 October 2016.

8. Employee benefits

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

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

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

8. Employee benefits (continued)

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

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

A formal actuarial valuation was carried out as at 5 April 2015. The results of that valuation have been projected to 30 June 2016 by a qualified independent actuary. The figures in the following disclosure were measured using the projected unit method.

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

	June		December
	2016	2015	2015
	£'000	£'000	£'000
Present value of Scheme liabilities	**(347,452)**	(305,730)	(298,812)
Fair value of Scheme assets	**355,344**	306,529	302,239
Net amount recognised (before any adjustment for deferred tax)	**7,892**	799	3,427

The amounts recognised in Comprehensive Income were:

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

	Half year ended June		Year ended
	2016	2015	2015
	£'000	£'000	£'000
Service cost:			
Net interest expense recognised in the Consolidated Income Statement	**294**	123	506
Remeasurements of the net liability:			
Return on scheme assets (excluding amount included in interest expense)	**(54,879)**	10,866	14,164
Loss / (gain) arising from changes in financial assumptions	**53,764**	(1,727)	(5,063)
Gain arising from changes in demographic assumptions	**-**	(4,461)	(7,412)
Experience (gain) / loss	**(3,644)**	2,099	2,177
(Credit) / charge recorded in other comprehensive income	**(4,759)**	6,777	3,866
Total defined benefit (credit) / charge	**(4,465)**	6,900	4,372

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

8. Employee benefits (continued)

The principal actuarial assumptions used were:

	June		December
	2016	2015	2015
Liability discount rate	**2.70%**	3.70%	3.70%
Inflation assumption – RPI	**2.90%**	3.30%	3.10%
Inflation assumption – CPI	**1.90%**	2.30%	2.10%
Rate of increase in salaries	**n/a**	n/a	n/a
Revaluation of deferred pensions	**1.90%**	2.30%	
Increases for pensions in payment:			2.10%
CPI pension increases (maximum 5% per annum)	**1.90%**	2.30%	2.10%
CPI pension increases (maximum 5% per annum, minimum 3% per annum)	**3.10%**	3.10%	3.10%
CPI pension increases (maximum 3% per annum)	**1.80%**	2.20%	2.00%
Proportion of employees opting for early retirement	**0%**	0%	0%
Proportion of employees commuting pension for cash	**50%**	50%	50%

Mortality assumption - before retirement	**Same as post retirement**	Same as post retirement	Same as post retirement
Mortality assumption - after retirement (males)	**S2PMA tables**	S2PMA tables	S2PMA tables
Loading	**105%**	105%	105%
Projection basis	**Year of birth**	Year of birth	Year of birth
	CMI_2015 1.0%	CMI_2014 1.0%	CMI_2015
Mortality assumption - after retirement (females)	**S2PFA tables**	S2PFA tables	S2PFA tables
Loading	**105%**	105%	105%
Projection basis	**Year of birth**	Year of birth	Year of birth
	CMI_2015 1.0%	CMI_2014 1.0%	CMI_2015
Future expected lifetime of current pensioner at age 65:			
Male aged 65 at year end	**86.5**	86.7	86.5
Female aged 65 at year end	**88.5**	88.7	88.5
Future expected lifetime of future pensioner at age 65:			
Male aged 45 at year end	**87.8**	88.0	87.7
Female aged 45 at year end	**90.0**	90.2	89.8

9. Analysis of net debt

	1 January 2016 £'000	Cash flow £'000	Other changes £'000	**30 June 2016 £'000**
Cash at bank and in hand	24,990	485	156	**25,631**
Debt due after 1 year	(36,125)	4,155	(2,158)	**(34,128)**
Finance leases	(327)	-	(3)	**(330)**
	(11,462)	4,640	(2,005)	**(8,827)**

9. Analysis of net debt (continued)

Reconciliation of net cash flow to movement in net debt

	Half year ended June		Year ended December
	2016	2015	2015
	£'000	£'000	£'000
Net increase in cash and cash equivalents	**485**	197	4,679
Cash outflow/ (inflow) from decrease / (increase) in debt and lease financing	**4,155**	(4,348)	13,350
Effect of exchange rate fluctuations	**(2,005)**	1,701	989
Movement in net debt in the period	**2,635**	(2,450)	19,018
Net debt at beginning of the period	**(11,462)**	(30,480)	(30,480)
Net debt at the end of the period	**(8,827)**	(32,930)	(11,462)

10. Borrowing facilities

The total bank borrowing facilities at 30 June 2016 amounted to £115.0 million (30 June 2015: £145.0 million; 31 December 2015: £95.0 million) of which £80.9 million (30 June 2015: £91.9 million; 31 December 2015: £58.9 million) remained unutilised.

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

The undrawn facilities available at 30 June 2016, in respect of which all conditions precedent had been met, were as follows:

	June		December
	2016	2015	2015
	£'000	£'000	£'000
Committed:			
- Expiring in more than 2 years but not more than 5 years	**45,872**	31,934	43,875
- Expiring in 1 year or less	**-**	25,000	-
Uncommitted:			
- Expiring in 1 year or less	**35,000**	35,000	15,000
	80,872	91,934	58,875

The total borrowing facilities at 26 August 2016 amounted to £105.0 million. On 16 August 2016, the Group renewed its short-term working capital facilities and reduced its seasonal working capital facility to £10.0 million. The Group also extended the maturity of each of its committed facilities by 12 months. The committed facilities are all revolving credit facilities with interest charged at variable rate based on LIBOR. The Group's bank facilities continue to be aligned with the current strategy to ensure that headroom against available facilities remains at appropriate levels.

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

10. Borrowing facilities (continued)

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

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

11. Fair values of financial assets and financial liabilities

A comparison by category of the book values and fair values of the financial assets and liabilities of the Group at 30 June 2016 is shown below:

	June 2016		December 2015	
	Book amount £'000	**Fair value £'000**	Book amount £'000	Fair value £'000
Trade and other receivables	**65,847**	**65,847**	44,542	44,542
Cash and cash equivalents	**25,631**	**25,631**	24,990	24,990
Bank loans	**(34,128)**	**(33,582)**	(36,125)	(34,906)
Finance lease liabilities	**(330)**	**(360)**	(327)	(360)
Trade and other payables	**(98,071)**	**(98,071)**	(79,607)	(79,607)
Interest rate swaps, forward contracts and fuel hedges	**(515)**	**(515)**	(2,149)	(2,149)
Financial liabilities – net	**(41,566)**		(48,676)	
Other assets – net	**246,436**		241,394	
	204,870		192,718	

Estimation of fair values

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

(a) Derivatives

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

11. Fair values of financial assets and financial liabilities (continued)

(b) Interest-bearing loans and borrowings

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

(c) Finance lease liabilities

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

(d) Trade and other receivables / payables

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

(e) Fair value hierarchy

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
30 June 2016				
Derivative financial liabilities	**-**	**515**	**-**	**-**
31 December 2015				
Derivative financial liabilities	-	2,149	-	-

12. Principal risks and uncertainties

The principal risks and uncertainties that could impact the Group for the remainder of the current financial year are those detailed on pages 20 to 23 of the 2015 Annual Report. These cover the strategic, financial and operational risks and, other than some increased economic uncertainty post the EU referendum, 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 2016 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 2016 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 2016 were as follows:

Andrew Allner	Chairman
Janet Ashdown	Non-Executive Director
Jack Clarke	Finance Director
Martyn Coffey	Chief Executive
Alan Coppin	Non-Executive Director – retired on 18 May 2016
Mark Edwards	Non-Executive Director
Tim Pile	Non-Executive Director

The responsibilities of the Directors during their period of service were as set out on pages 34 and 35 of the 2015 Annual Report.

Cathy Baxandall
Company Secretary

By order of the Board
26 August 2016

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 6 months ended 30 June 2016, 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 related Notes 1 to 12. 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 International Standard on Review Engagements (UK and Ireland) 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Half-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 Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Auditing Practices Board for use in the United Kingdom. A review of Half-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 6 months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants
Leeds, United Kingdom
26 August 2016

Shareholder Information

Financial calendar

Half-yearly results for the year ending December 2016	Announced	26 August 2016
Half-yearly dividend for the year ending December 2016	Payable	2 December 2016
Results for the year ending December 2016	Announcement	March 2017
Report and accounts for the year ending December 2016		April 2017
Annual General Meeting		10 May 2017
Final dividend for the year ending December 2016	Payable	July 2017

Registrars

All administrative enquiries relating to shareholdings should, in the first instance, be directed to Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ (telephone: 0870 707 1134) and should clearly state the registered shareholder's name and address.

Dividend mandate

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

Website

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