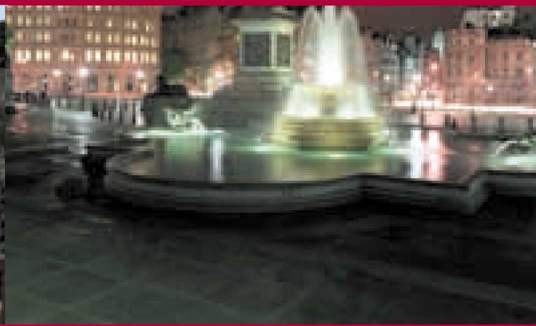
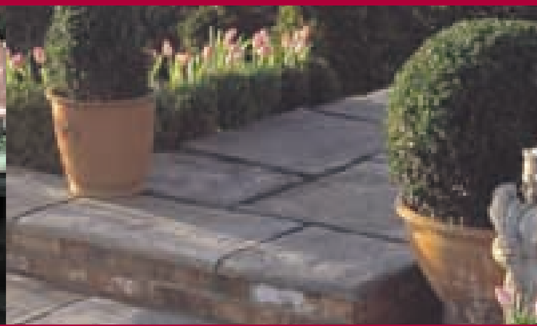
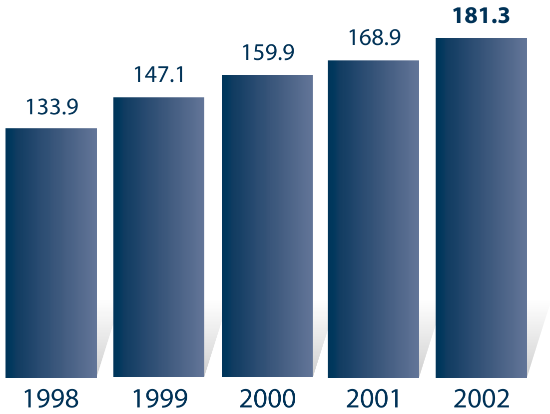




INTERIM REPORT 2002

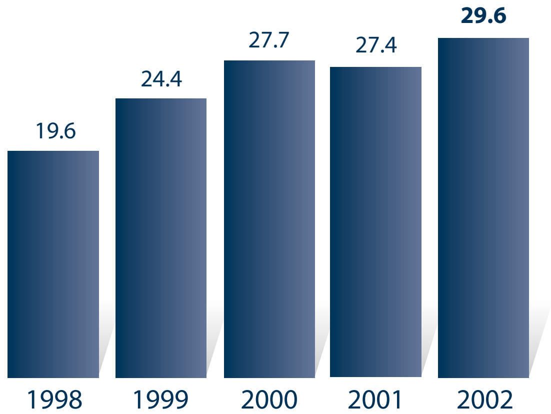
Marshalls

Financial Highlights

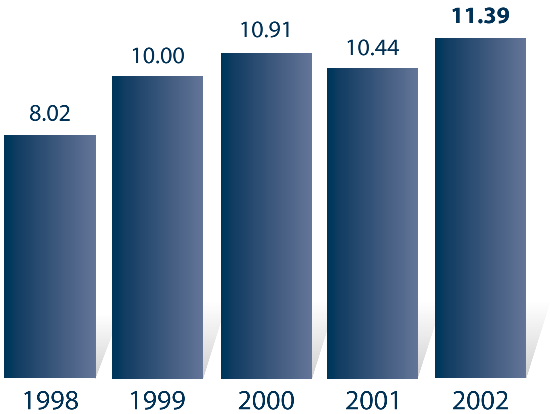
Turnover (£m)



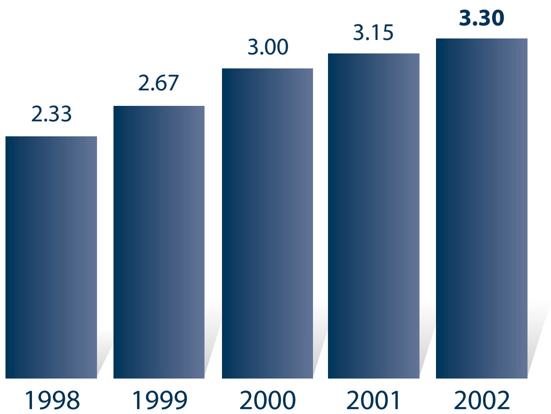
Operating profit* (£m)



Adjusted basic earnings per share (pence)



Dividend per ordinary share (pence)



* before operating exceptional costs and goodwill amortisation

Chairman's Statement

Group turnover in the six months to 30 June 2002 at £181.3 million (2001: £168.9 million) was 7.3 per cent ahead of the same period last year. This resulted in profit before tax of £27.3 million (2001: £24.3 million), an increase of 12.3 per cent. Basic earnings per share grew by 12.9 per cent to 11.03p (2001: 9.77p restated due to FRS19 "*Deferred Tax*") and with adjusted basic earnings per share increasing by 9.1 per cent to 11.39p (2001: 10.44p restated due to FRS19 "*Deferred Tax*").

All Divisions achieved sales growth in the first half despite the special events of June. The Landscape Products Division increased turnover by 4.8 per cent, and the Natural Stone and Emerging Businesses Divisions showed much more significant improvement over last year. Sales in the Clay Products Division were slightly ahead of 2001, pleasingly so, given that Industry volumes were again below the equivalent period last year.

With capital expenditure of £21.9 million in the first six months, and the purchase of the outstanding 10% Cumulative Preference Shares for £2.3 million, net borrowings at the end of June 2002 amounted to £25.4 million (2001: £20.8 million), a gearing ratio of 12.9 per cent (2001: 11.3 per cent restated for FRS19 "*Deferred Tax*"). Interest was covered a healthy 17.6 times. Major capital projects completed in the period have included a new automated Heritage Line and Block Plant at St Ives in Cambridgeshire, and additional production capacity at Stonemarket.

The Board has decided to declare an interim dividend of 3.30p (2001: 3.15p) per ordinary share, an increase of 4.8 per cent. The dividend will be paid on 2 December 2002 to shareholders on the Register on 1 November 2002.

Landscape Products Division

The Division, which represents 75 per cent of the Group had sales of £136.1 million (2001: £129.9 million), 4.8 per cent ahead of last year. Excluding the impact of the Aggregate Levy, sales were 4 per cent ahead of 2001. This levy which was introduced on 1 April 2002 has been passed through the distribution chain and is therefore reflected in our customers' prices.

The demand for our products in the domestic sector increased by 4 per cent, and in the commercial and public sectors by 7 per cent in the first half. The balance between the sectors changes over time depending on economic conditions, but clearly was also impacted by the lower domestic demand in June. The sales decline in June compared with last year was most noticeable in domestic garden and patio products.

Operating profit before reorganisation and other exceptional costs and goodwill amortisation increased by 6.5 per cent to £22.7 million (2001: £21.3 million).

Clay Products Division

The Division increased sales by 1.2 per cent to £15.3 million in the first half (2001: £15.2 million). This was achieved against the background of yet another fall in Industry volumes, which is estimated at 1 per cent in the first 6 months.

Operating profit before reorganisation and other exceptional costs was £2.7 million (2001: £2.7 million). This is the second year in which first half profit has been reported flat. It reflects the efforts that are going on within the Division to improve efficiency to off-set increases in energy costs and overheads that cannot be recovered in prices. This is not something that we find satisfactory, but we take a certain degree of comfort from the fact that our performance during this period has been better than most in the Industry.

Natural Stone Division

This is the first occasion on which we have provided separately information on our Natural Stone Division. We said we would do so because the business has now reached the size where it merits the status of a Division. It includes our own natural stone products, imported sandstone and granite products, and aggregates sold from our own quarries. The Division is supplying natural stone to a number of prestige projects in London and the South East including the pedestrianisation of Trafalgar Square.

In the first six months, sales of this new Division, including Stancliffe Stone acquired in June 2001, amounted to £12.4 million (2001: £8.3 million), an increase of 50.5 per cent over last year. Organic growth in sales was 16.4 per cent.

Operating profit before reorganisation and other exceptional costs and goodwill amortisation increased by 54.8 per cent to £2.0 million (2001: £1.3 million). Excluding the Stancliffe Stone acquisition profit increased by 22.3 per cent.

Emerging Businesses Division

The results of this Division last year incorporated our Natural Stone business. The sales of the remaining businesses, on a like for like basis, increased by 12.0 per cent to £17.4 million (2001: £15.5 million) in the period. Operating profit before reorganisation and other exceptional costs and goodwill amortisation increased by 4.9 per cent to £2.2 million (2001: £2.1 million).

In the case of Drainage and Flooring, two businesses where we have been investing capital and making structural changes, sales were significantly ahead of last year. The Division's operating profit was held back due to additional costs associated with these structural changes, and costs incurred at Classical Flagstones where the manufacturing operations have been re-organised. Street Furniture also saw a good improvement in sales.

Outlook

The second half of this year presents the Group with a stiff challenge compared with 2001. Last year we achieved sales growth of 15 per cent as we cleared the backlog of demand from the first half due to widespread floods.

The wider economic picture and likely consumer demand are difficult to read at present. There remains, however, a strong interest in our products, and our national network of Registered Installers is busy.

While the level of housing transactions is important to continuing growth in the private sector, the home improvement market is the largest contributing factor. One consequence of the rise in house prices is the growth in average equity per household which provides the consumer with the comfort, if needed, to invest in replacing their driveways and patios. We therefore remain optimistic about future prospects.

Having regard to the increasing activity in the commercial and public sector markets, to a level that has not been seen for many years in the construction industry, and taking the Group as a whole, we expect to achieve a good outcome for the full year.

CHRISTOPHER BURNETT
Chairman
6 September 2002

Consolidated Profit and Loss Account

for the half year ended 30 June 2002

	Notes	2002	Unaudited Half year ended June (As restated) 2001	Audited Year ended December (As restated) 2001
		£'000	£'000	£'000
Turnover	1	**181,262**	168,852	328,036
Operating costs		**(152,306)**	(143,221)	(282,703)
Operating profit				
Before reorganisation and other exceptional costs and goodwill amortisation		**29,551**	27,351	48,865
Reorganisation and other exceptional costs	2	**-**	(1,304)	(2,508)
Goodwill amortisation		**(595)**	(416)	(1,024)
	1	**28,956**	25,631	45,333
Gain on disposal of property		**-**	321	321
Profit on ordinary activities before interest		**28,956**	25,952	45,654
Interest (net)		**(1,649)**	(1,642)	(2,943)
Profit on ordinary activities before taxation		**27,307**	24,310	42,711
Taxation on profit on ordinary activities		**(8,782)**	(7,929)	(14,003)
Profit for the financial period		**18,525**	16,381	28,708
Preference dividends: Non equity shares		**(87)**	(87)	(174)
Profit attributable to ordinary shareholders		**18,438**	16,294	28,534
Ordinary dividends: Equity shares		**(5,523)**	(5,246)	(15,846)
Retained profit for the financial period		**12,915**	11,048	12,688
Earnings per share:				
Basic	3	**11.03p**	9.77p	17.11p
Diluted	3	**11.01p**	9.76p	17.10p
Adjusted Basic	3	**11.39p**	10.44p	18.65p
Dividend declared:				
Pence per share		**3.30p**	3.15p	9.50p

The comparatives have been restated for the effect of FRS19 *"Deferred Tax".*

Consolidated Balance Sheet

at 30 June 2002

	Notes	2002 £'000	Unaudited Half year ended June (As restated) 2001 £'000	Audited Year ended December (As restated) 2001 £'000
Fixed assets				
Intangible		**20,721**	20,823	21,316
Tangible		**183,947**	160,818	169,902
		204,668	181,641	191,218
Current assets				
Stocks		**60,103**	51,774	54,387
Debtors: Due within one year		**62,141**	66,541	31,517
Debtors: Due after more than one year		**-**	2,171	-
Cash at bank and in hand		**136**	6,929	14,655
		122,380	127,415	100,559
Creditors: Amounts falling due within one year		**(90,032)**	(78,533)	(66,215)
Net current assets		**32,348**	48,882	34,344
Total assets less current liabilities		**237,016**	230,523	225,562
Creditors: Amounts falling due after more than one year		**(20,005)**	(27,751)	(20,007)
Provisions for charges and liabilities		**(19,569)**	(18,196)	(18,843)
Net assets	4	**197,442**	184,576	186,712
Capital and reserves				
Called up share capital		**42,007**	42,919	43,006
Share premium account		**17,724**	18,492	18,910
Revaluation reserve		**5,166**	5,166	5,166
Other reserves		**14,352**	10,274	14,352
Profit and loss account		**118,193**	107,725	105,278
Shareholders' funds		**197,442**	184,576	186,712
Analysis of shareholders' funds				
Equity		**196,334**	182,453	184,589
Non equity		**1,108**	2,123	2,123
		197,442	184,576	186,712

The comparatives have been restated for the effect of FRS19 *"Deferred Tax".*

Consolidated Cash Flow Statement

for the half year ended 30 June 2002

	Notes	2002	Unaudited Half year ended June (As restated) 2001	Audited Year ended December (As restated) 2001
		£'000	£'000	£'000
Cash inflow from operating activities	5	**17,542**	19,710	70,677
Returns on investments and servicing of finance		**(683)**	(1,616)	(4,118)
Taxation		**(5,297)**	(4,144)	(13,172)
Capital expenditure		**(21,932)**	(15,755)	(30,607)
Acquisitions and disposals		**-**	(3,826)	(5,696)
Equity dividends paid		**-**	-	(15,239)
Cash (outflow) / inflow before use of liquid resources and financing		**(10,370)**	(5,631)	1,845
Financing				
Decrease in debt and lease financing		**(2,312)**	(16)	(262)
Repurchase of 10% cumulative preference shares		**(2,323)**	-	-
Issue of shares		**138**	47	543
(Decrease) / increase in cash in the period		**(14,867)**	(5,600)	2,126

Reconciliation of Net Cash Flow to Movement in Net Debt

	2002	2001	2001
(Decrease) / increase in cash in the period	**(14,867)**	(5,600)	2,126
Cash outflow from decrease in debt and lease financing	**2,312**	16	262
Change in net debt resulting from cash flows	**(12,555)**	(5,584)	2,388
Loans issued on acquisition of businesses	**-**	(6,408)	(6,408)
Movement in net debt in the period	**(12,555)**	(11,992)	(4,020)
Net debt at beginning of period	**(12,862)**	(8,842)	(8,842)
Net debt at end of period	**(25,417)**	(20,834)	(12,862)
Net gearing	**12.9%**	11.3%	6.9%

Reconciliation of Movements in Consolidated Shareholders' Funds

for the half year ended 30 June 2002

	2002	Unaudited Half year ended June (As restated) 2001	Audited Year ended December (As restated) 2001
	£'000	£'000	£'000
Profit for the financial period	**18,525**	16,381	28,708
Dividends	**(5,610)**	(5,333)	(16,020)
New share capital issued	**138**	47	552
Write off on issue of shares to QUEST	**-**	-	(9)
Repurchase of 10% cumulative preference shares	**(2,323)**	-	-
Net additions to shareholders' funds	**10,730**	11,095	13,231
Shareholders' funds at beginning of period	**186,712**	173,481	173,481
Shareholders' funds at end of period (originally £205,555,000 at 31 December 2001 before deducting prior year adjustment of £18,843,000)	**197,442**	184,576	186,712

There were no recognised gains or losses in the period (2001: £Nil) other than those reflected above.
The comparatives have been restated for the effect of FRS19 *"Deferred Tax"*.

Notes to the Interim Statements

1. Analysis of turnover and operating profit

	2002	2001	2001
	£'000	£'000	£'000
(a) Turnover			
Landscape Products	**136,077**	129,894	247,585
Clay Products	**15,341**	15,155	29,401
Natural Stone	**12,429**	8,256	19,567
Emerging Businesses	**17,415**	15,547	31,483
	181,262	168,852	328,036

There is no material inter-segmental turnover.

(b) Operating profit

	Operating profit before reorganisation and other exceptional costs and goodwill amortisation			Operating profit		
	2002	Unaudited Half year ended June (As restated) 2001	Audited Year ended December (As restated) 2001	**2002**	Unaudited Half year ended June (As restated) 2001	Audited Year ended December (As restated) 2001
	£'000	£'000	£'000	**£'000**	£'000	£'000
Landscape Products	**22,652**	21,263	36,768	**22,342**	20,018	34,441
Clay Products	**2,710**	2,704	5,024	**2,710**	2,505	4,482
Natural Stone	**1,981**	1,280	2,811	**1,827**	1,159	2,503
Emerging Businesses	**2,208**	2,104	4,262	**2,077**	1,949	3,907
	29,551	27,351	48,865	**28,956**	25,631	45,333

2. Reorganisation and other exceptional costs

Reorganisation and other exceptional costs include £Nil (2001: £1.1 million) in respect of reorganisation costs and £Nil (2001: £0.2 million) in respect of known irrecoverable non-compulsory insurance prepayments and claims relating to Independent Insurance.

3. Earnings per share

		Unaudited Half year ended June (As restated)	Audited Year ended December (As restated)
	2002	2001	2001
	£'000	£'000	£'000
Profit for the financial period attributable to ordinary shareholders	**18,438**	16,294	28,534
Profit for the financial period attributable to ordinary shareholders and potentially ordinary dilutive shares	**18,438**	16,294	28,534
Adjusted basic earnings per share reconciliation:			
Profit for the financial period	**18,438**	16,294	28,534
Reorganisation and other exceptional costs	-	1,304	2,508
Goodwill amortisation	**595**	416	1,024
Gain on disposal of property	-	(321)	(321)
Taxation	-	(286)	(640)
	19,033	17,407	31,105
Weighted average number of shares	**167,115,664**	166,706,938	166,804,445
Weighted average number of shares	**167,115,664**	166,706,938	166,804,445
Dilutive shares	**383,164**	250,174	45,244
	167,498,828	166,957,112	166,849,689
Basic earnings per share	**11.03p**	9.77p	17.11p
Diluted earnings per share	**11.01p**	9.76p	17.10p
Adjusted basic earnings per share	**11.39p**	10.44p	18.65p

An adjusted basic earnings per share has been prepared in order to show the underlying performance of the business. The adjusted basic earnings per share is adjusted for reorganisation and other exceptional costs, goodwill amortisation, gain on disposal of property and the associated taxation.

Notes to the Interim Statements (continued)

	2002	Unaudited Half year ended June (As restated) 2001	Audited Year ended December (As restated) 2001
	£'000	£'000	£'000
4. Analysis of net assets			
Landscape Products	**170,733**	154,911	142,248
Clay Products	**44,778**	45,076	43,910
Natural Stone	**25,366**	24,755	25,094
Emerging Businesses	**16,498**	15,475	15,083
	257,375	240,217	226,335
Unallocated net liabilities	**(59,933)**	(55,641)	(39,623)
	197,442	184,576	186,712

Unallocated net liabilities comprise non-operating assets and liabilities of a financing nature, principally net borrowings, corporation tax, deferred tax and dividends payable.

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

	2002	2001	2001
	£'000	£'000	£'000
Operating profit	**28,956**	25,631	45,333
Amortisation charges	**595**	416	1,024
Depreciation charges	**7,751**	6,860	14,616
Loss on sale of tangible fixed assets	**136**	3	301
(Increase) / decrease in stocks	**(5,716)**	6,134	3,663
(Increase) / decrease in debtors	**(30,624)**	(32,796)	4,276
Increase in creditors	**16,444**	13,462	1,464
	17,542	19,710	70,677

6. Basis of preparation

The interim financial statements have been prepared on the basis of the accounting policies set out in the Group's 2001 statutory accounts modified for the adoption of FRS19 *"Deferred Tax"* and therefore the comparatives have been restated. The impact of these changes on the profit for the period ended 30 June 2001 and 31 December 2001 is to increase the tax charge by £856,000 and £1,503,000 respectively. The impact of these changes on the balance sheet at 30 June 2001 and 31 December 2001 is to reduce shareholders' funds by £18,196,000 and £18,843,000 respectively.

7. Other

The above financial information does not constitute statutory accounts. The financial information for the year ended 31 December 2001 has been extracted from the statutory accounts for that period which have been delivered to the Registrar of Companies and contain an unqualified audit report. An interim dividend of 3.30p per ordinary share will be paid on 2 December 2002 to shareholders on the register at the close of business on 1 November 2002.

Review Report and Shareholder Information

Independent review report by KPMG Audit Plc to Marshalls plc

Introduction

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

Directors' Responsibilities

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

Review Work Performed

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

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

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2002.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds
6 September 2002

Financial calendar

Interim results for the year ended December 2002	6 September 2002
Interim dividend for the year ended December 2002	2 December 2002
Results for the year ended December 2002	March 2003
Report and accounts for the year ended December 2002	April 2003
Annual General Meeting	May 2003
Final dividend for the year ended December 2002	7 July 2003

Registrars and general

All administrative enquiries relating to shareholdings should, in the first instance, be directed to Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgewater Road, Bristol BS99 7NH. Telephone: 0870 702 0001 Fax: 0870 703 6116 and clearly state the registered shareholder's name and address.

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

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

Designed by Alchemede Ltd. Printed by Taylor Bloxham Ltd. Corporate & Financial, Leicester and London.