

HALF-YEARLY REPORT 2011

Marshalls

Financial Highlights

	Half year ended 30 June 2011	Half year ended 30 June 2010*
Continuing operations:		
Revenue	£177.2m	£162.6m
EBITDA	£22.9m	£18.6m
Operating profit	£13.7m	£9.4m
Profit before tax	£12.2m	£8.1m
Basic EPS	5.47p	3.29p
Interim dividend per share	1.75p	1.75p
Net debt	£70.4m	£66.7m
Total operations:		
Basic EPS	2.96p	3.07p

*The comparatives have been restated in respect of discontinued operations

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Highlights:

- Revenue from continuing operations up 9%
- Operating profit from continuing operations up 26% excluding the net gain on asset and property disposals of £2m
- Operating margin improved to 6.6% (2010: 5.7%) excluding the net gain on asset and property disposals
- Basic EPS from continuing operations up 66%
- Sale of surplus property realised cash proceeds of £5m
- Net debt stable at £70m (2010: £67m)

Interim Management Report

Group Results

Continuing revenue for the half year ended 30 June 2011 increased by 9 per cent to £177.2 million (2010: £162.6 million). Sales to the Public Sector and Commercial end market, which represent 60 per cent of Group sales, were up 10 per cent and sales to the Domestic end market, on a continuing basis, were up 8 per cent compared with the prior period.

Reported operating profit from continuing operations was £13.7 million (2010: £9.4 million) including a net gain of £2 million on asset and property disposals. Operating profit, excluding the net gain on asset and property disposals, was up 26 per cent at £11.7 million (2010: £9.3 million). EBITDA from continuing operations was £22.9 million (2010: £18.6 million).

Net financial expenses were £1.4 million (2010: £1.3 million) and interest was strongly covered 9.5 times (2010: 7.4 times) by earnings on a continuing basis. The effective tax rate was 12.4 per cent (2010: 20.7 per cent) and benefited from the reduction in the rate of corporation tax and the utilisation of brought forward capital losses being applied against the capital gain on the disposal of the surplus property.

Basic EPS, for the continuing operations, was up 66 per cent at 5.47 pence (2010: 3.29 pence) per share. The interim dividend will be 1.75 pence (2010: 1.75 pence) per share.

Operating Performance

The underlying market during the first half was flat which is consistent with the most recent Construction Products Association ("CPA") full year forecast for 2011. Marshalls' sales growth during this period results from the positive actions taken to drive revenues through sales initiatives delivering increased volume.

In the Public Sector and Commercial end market the Group has continued to develop innovative products and services to meet customer requirements. In particular it has been targeting growth areas such as rail, education, home and retail using our precision marketing. The experienced technical and sales teams provide a full range of integrated products and sustainable solutions to customers, architects and contractors, and the specialist integrated product directories have proved extremely successful. The Group has continued to deliver more products to the Olympic sites, which have now reached the main landscaping phase. Order intake for the Olympics now exceeds £8 million and is on target to achieve the upper end of management's expectations.

In the Domestic end market the Group has continued its initiatives to drive more sales through quality installers and remains committed to developing the installer base and the Marshalls Register through increased training, marketing materials and sales support. This initiative has enabled the number of Register member teams to grow by 17 per cent since the beginning of 2010. Installer order books were 7.0 weeks as at June 2011, similar to the 7.1 weeks at April 2011 and June 2009, although lower than the equivalent point in June 2010 of 9.1 weeks.

First half sales also benefited from the better working conditions compared with the weather disruption experienced in 2010. In addition, the Group has increased its selling prices to recover cost inflation and the additional fuel costs experienced during the first half.

Operationally, production levels in the first half continued to trend upwards in support of the first half sales volumes, logistics benefited from optimisation initiatives and customer service remained at a high level. Reported operating profit margin on continuing operations increased to 7.7 per cent (6.6 per cent excluding net gain on asset and property disposals) from 5.7 per cent in the prior year period.

The Group announced in June 2011 the proposed closure of its non-core garage and greenhouse manufacturing operations. Agreement was subsequently reached to sell, separately, the Compton garage brand and the Alton and Robinson greenhouse brands. The Group's sales of garages and greenhouses were £5.9 million in the half year ended 30 June 2011 (2010: £7.3 million), while in the year ended 31 December 2010 sales were £14.3 million with an operating loss of £1.2 million. The operations have been treated as discontinued in these half-yearly results. The post tax loss from discontinued operations in the half year ended 30 June 2011 is £4.9 million after writing off intangible assets, providing for closure costs and net of the sale of brands. It is estimated that ultimately these transactions will generate positive net cash of approximately £2 million.

Marshalls was the first business in its Sector to become a member of the Ethical Trading Initiative. The Company has also become the UK's first heavyside materials manufacturer to be accepted into the prestigious UN Global Compact. It is based on ten core social and ethical principles and is the world's largest and most visible leadership platform for corporate responsibility and sustainability increasingly supported by governments around the world as the "International Standard" for corporate social responsibility. Marshalls has been consistently rated in the top 10 per cent of companies in the Group's first three years of membership.

Looking forward to the second half the Group continues to develop organic sales initiatives. In Commercial, Marshalls has expanded its capacity to process stone walling in the Cotswolds and stone paving in South Wales. In addition, more resources have been devoted to expanding sales in overseas markets and particularly in specialist paving, street furniture, water management and ethically sourced natural stone products. Marshalls has acquired assets in Belgium via a newly-formed Belgian subsidiary to enable the manufacture of landscape products locally and to provide a physical stock location in mainland Europe from which to supply the wider Group specialist product portfolio. Investment in these assets is expected to be around £6 million including the required working capital. The Group is also well advanced in establishing a subsidiary in China to improve the scale and efficiency of product sourcing and the working relationship with the Group's business partner in India has also been strengthened for the same reason. These initiatives are designed to provide a wider product range and to provide greater scale of capability in all the Group's end markets.

Balance Sheet and Cash Flow

Net assets at 30 June 2011 were £199.0 million (June 2010: £186.0 million). At 30 June 2011 net debt was stable at £70.4 million (June 2010: £66.7 million) resulting in gearing of 35.4 per cent (June 2010: 35.9 per cent).

The Group continues to focus on working capital and capital expenditure management. Cash management continues to be a high priority area and the Group remains committed to realising value from the sale of surplus properties. A surplus site located on the South Coast of England was sold in June 2011 for cash proceeds of £5 million. The net gain on asset and property transactions was £2 million. The site closure programme has now released £18 million of gross cash, compared with the cash cost of £14 million, with £9 million being released from inventory and a further £9 million from the disposal of surplus properties.

The Group has recently renewed its short term working capital facilities with RBS and has replaced maturing facility lines with new committed facilities totalling £50 million with LloydsTSB Bank plc and Barclays Bank PLC, the latter as an additional banking partner. The introduction of a fourth banking relationship is designed to create additional financial flexibility and mitigate potential risk within the banking sector. The Group continues its policy of having significant committed facilities in place with a positive spread of medium term maturities.

The balance sheet includes the defined benefit pension obligation of £3.6 million at 30 June 2011 (December 2010: £4.1 million; June 2010: £27.0 million). This balance is calculated on the basis of the present value of the Scheme's obligations of £214.4 million (December 2010: £212.4 million) less the fair value of the Scheme assets of £210.8 million (December 2010: £208.3 million). These figures have been determined by the Scheme Actuary using assumptions that are considered to be prudent and in line with current market levels at the balance sheet date. The assumptions that have changed in the last six months are a movement in the AA corporate bond rate from 5.5 per cent to 5.6 per cent, in line with market movements, and an increase in the expected rate of CPI inflation from 2.7 per cent to 2.8 per cent.

Dividend

The Board has declared an unchanged interim dividend of 1.75 pence (June 2010: 1.75 pence) per share. This dividend will be paid on 2 December 2011 to shareholders on the register at the close of business on 28 October 2011. The ex-dividend date will be 26 October 2011.

Outlook

First half trading was encouraging. Marshalls benefited from a stronger first quarter following the poor weather conditions in 2010 and continued to show positive progress in the second quarter. Targeted marketing and product innovation in the Public Sector and Commercial end market has delivered positive results. In the Domestic end market the Group's installer initiatives have increased sales and there has been positive progress in overseas markets.

Looking forward, there is continuing strength in Commercial to offset the anticipated weakness in Public Sector demand. The Domestic outlook is softening although installer order books have remained consistent at around 7 weeks. Overall market volume is expected to be slightly lower in the second half of the year against strong comparatives.

Despite the challenging macro economic background, the solid foundations of the business, the Group's strong market position, its sales and marketing initiatives and growing overseas sales mean that Marshalls is well positioned to deliver sales outperformance.

Graham Holden
Chief Executive

Condensed Consolidated Half-yearly Income Statement

for the half year ended 30 June 2011

	Notes	**Half year ended June 2011 £'000**	Half year ended June 2010* £'000	Year ended December 2010* £'000
Revenue	2	**177,174**	162,558	308,843
Net operating costs	3	**(163,510)**	(153,167)	(295,862)
Operating profit	2	**13,664**	9,391	12,981
Financial expenses	4	**(7,443)**	(7,297)	(14,479)
Financial income	4	**6,000**	6,026	11,921
Profit before tax	2	**12,221**	8,120	10,423
Income tax expense	5	**(1,511)**	(1,679)	(2,202)
Profit for the financial period before post tax loss of discontinued operations		**10,710**	6,441	8,221
Post tax loss of discontinued operations	6	**(4,912)**	(434)	(871)
Profit for the financial period		**5,798**	6,007	7,350
Profit for the period attributable to:				
Equity shareholders of the parent		**5,776**	6,007	7,350
Non-controlling interests		**22**	-	-
		5,798	6,007	7,350
Earnings per share (total operations):				
Basic	7	**2.96p**	3.07p	3.76p
Diluted	7	**2.90p**	3.01p	3.69p
Earnings per share (continuing operations):				
Basic	7	**5.47p**	3.29p	4.21p
Diluted	7	**5.36p**	3.23p	4.13p
Dividend:				
Pence per share	8	**3.50p**	3.50p	5.25p
Dividends declared	8	**6,863**	6,863	10,294

* The comparatives have been restated in respect of discontinued operations (Note 6)

Condensed Consolidated Half-yearly Statement of Comprehensive Income

for the half year ended 30 June 2011

	Half year ended June 2011 £'000	Half year ended June 2010* £'000	Year ended December 2010* £'000
Profit for the period	**5,798**	6,007	7,350
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges	**(366)**	(194)	(505)
Fair value of cash flow hedges transferred to the Income Statement	**212**	31	262
Deferred tax arising	**40**	46	66
Defined benefit plan actuarial (losses)/gains	**(3,029)**	8,091	27,640
Deferred tax arising	**787**	(2,265)	(7,463)
Impact of the change in rate of deferred taxation	**(68)**	-	(123)
Foreign currency translation differences - foreign operations	**179**	-	-
Foreign currency translation differences - non-controlling interests	**116**	-	-
Other comprehensive (expense)/ income for period, net of income tax	**(2,129)**	5,709	19,877
Total comprehensive income for the period	**3,669**	11,716	27,227
Attributable to:			
Equity shareholders of the parent	**3,531**	11,716	27,227
Non-controlling interests	**138**	-	-
	3,669	11,716	27,227

* The comparatives have been restated in respect of discontinued operations (Note 6)

Condensed Consolidated Half-yearly Balance Sheet

as at 30 June 2011

	Notes	2011 £'000	June 2010 £'000	December 2010 £'000
Assets				
Non-current assets				
Property, plant and equipment		**193,722**	195,313	190,627
Intangible assets		**42,046**	42,149	42,945
Investments in associates		**2,149**	2,180	2,163
Deferred taxation assets		**943**	7,638	1,171
		238,860	247,280	236,906
Current assets				
Inventories		**83,776**	82,348	81,626
Trade and other receivables		**63,962**	54,896	27,925
Cash and cash equivalents		**26,275**	19,168	4,059
		174,013	156,412	113,610
Total assets		**412,873**	403,692	350,516
Liabilities				
Current liabilities				
Trade and other payables		**85,736**	74,902	48,552
Corporation tax		**6,618**	5,110	5,164
Interest bearing loans and borrowings		**46,663**	20,017	40,900
		139,017	100,029	94,616
Non-current liabilities				
Interest bearing loans and borrowings		**50,000**	65,900	30,000
Employee benefits	9	**3,628**	26,975	4,092
Deferred taxation liabilities		**21,234**	24,753	23,568
		74,862	117,628	57,660
Total liabilities		**213,879**	217,657	152,276
Net assets		**198,994**	186,035	198,240
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		**(9,514)**	(9,514)	(9,514)
Capital redemption reserve		**75,394**	75,394	75,394
Consolidation reserve		**(213,067)**	(213,067)	(213,067)
Hedging reserve		**(293)**	(119)	(179)
Retained earnings		**270,212**	260,801	273,066
Equity attributable to equity shareholders of the parent		**195,272**	186,035	198,240
Non-controlling interests		**3,722**	-	-
Total equity		**198,994**	186,035	198,240

Condensed Consolidated Half-yearly Cash Flow Statement

for the half year ended 30 June 2011

	Half year ended June 2011 £'000	Half year ended June 2010 £'000	Year ended December 2010 £'000
Cash flows from operating activities			
Profit for the financial period	**5,798**	6,007	7,350
Income tax expense on continuing operations	**1,511**	1,679	2,202
Income tax credit on discontinued operations	**(756)**	(169)	(339)
Loss on disposal and closure of discontinued operations	**4,949**	-	-
Profit before tax on total operations	**11,502**	7,517	9,213
Adjustments for:			
Depreciation	**8,751**	8,876	17,771
Amortisation	**679**	500	1,554
Share of results of associates	**14**	33	63
Gain on sale of property, plant and equipment	**(2,140)**	(295)	(746)
Equity settled share based expenses	**362**	125	250
Financial income and expenses (net)	**1,443**	1,271	2,558
Operating cash flow before changes in working capital and pension scheme contributions	**20,611**	18,027	30,663
(Increase)/decrease in trade and other receivables	**(36,376)**	(23,629)	3,342
(Increase)/decrease in inventories	**(1,846)**	(161)	561
Increase/(decrease) in trade and other payables	**20,602**	15,455	(3,436)
Works closure costs paid	**-**	(878)	(1,447)
Pension scheme contributions	**(3,300)**	(3,300)	(6,600)
Cash (absorbed by)/generated from the operations	**(309)**	5,514	23,083
Financial expenses paid	**(1,656)**	(920)	(2,177)
Income tax (paid)/received	**(650)**	211	(129)
Net cash flow from operating activities	**(2,615)**	4,805	20,777
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**5,263**	3,215	3,936
Financial income received	**20**	59	4
Disposal of discontinued operation	**550**	-	-
Acquisition of subsidiaries and investment in associates	**(1,104)**	-	(108)
Acquisition of property, plant & equipment	**(5,017)**	(4,539)	(9,018)
Acquisition of intangible assets	**(644)**	(1,091)	(2,940)
Net cash flow from investing activities	**(932)**	(2,356)	(8,126)
Cash flows from financing activities			
Payments to acquire own shares	**-**	(42)	(42)
Net decrease in other debt and finance leases	**152**	(22)	(39)
Increase/(decrease) in borrowings	**25,611**	7,500	(7,500)
Equity dividends paid	**-**	-	(10,294)
Net cash flow from financing activities	**25,763**	7,436	(17,875)
Net increase/(decrease) in cash and cash equivalents	**22,216**	9,885	(5,224)
Cash and cash equivalents at beginning of the period	**4,059**	9,283	9,283
Cash and cash equivalents at end of the period	**26,275**	19,168	4,059

Condensed Consolidated Half-yearly Statement of Changes in Equity

for the half year ended 30 June 2011

	Attributable to equity holders of the Company								Non-controlling interests	Total equity
	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolidation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000	£'000	£'000
Current half-year										
At 1 January 2011	**49,845**	**22,695**	**(9,514)**	**75,394**	**(213,067)**	**(179)**	**273,066**	**198,240**	**-**	**198,240**
Total comprehensive income for the period										
Profit for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	5,776	5,776	22	5,798
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	-	-	179	179	116	295
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	(366)	-	(366)	-	(366)
Net change in fair value of cash flow hedges transferred to the Income Statement	-	-	-	-	-	212	-	212	-	212
Deferred tax arising	-	-	-	-	-	40	-	40	-	40
Defined benefit plan actuarial gains	-	-	-	-	-	-	(3,029)	(3,029)	-	(3,029)
Deferred tax arising	-	-	-	-	-	-	787	787	-	787
Impact of the change in rate of deferred taxation	-	-	-	-	-	-	(68)	(68)	-	(68)
Total other comprehensive income	-	-	-	-	-	(114)	(2,131)	(2,245)	116	(2,129)
Total comprehensive income for the period	-	-	-	-	-	(114)	3,645	3,531	138	3,669
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share based expenses	-	-	-	-	-	-	362	362	-	362
Dividends to equity shareholders	-	-	-	-	-	-	(6,861)	(6,861)	-	(6,861)
Total contributions by and distributions to owners	-	-	-	-	-	-	(6,499)	(6,499)	-	(6,499)
Changes in Ownership Interests in subsidiaries										
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	3,584	3,584
Total transactions with Owners of the company	-	-	-	-	-	(114)	(2,854)	(2,968)	3,722	754
At 30 June 2011	**49,845**	**22,695**	**(9,514)**	**75,394**	**(213,067)**	**(293)**	**270,212**	**195,272**	**3,722**	**198,994**

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

for the half year ended 30 June 2011

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

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

for the half year ended 30 June 2011

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolidation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000
Prior year								
At 1 January 2010	49,845	22,695	(9,472)	75,394	(213,067)	(2)	255,706	181,099
Total comprehensive income for the period								
Profit for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	7,350	7,350
Other comprehensive income								
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	(505)	-	(505)
Net change in fair value of cash flow hedges transferred to the Income Statement	-	-	-	-	-	262	-	262
Deferred tax arising	-	-	-	-	-	66	-	66
Defined benefit scheme actuarial gains	-	-	-	-	-	-	27,640	27,640
Deferred tax arising	-	-	-	-	-	-	(7,463)	(7,463)
Impact of the change in rate of deferred taxation	-	-	-	-	-	-	(123)	(123)
Total other comprehensive income	-	-	-	-	-	(177)	20,054	19,877
Total comprehensive income for the period	-	-	-	-	-	(177)	27,404	27,227
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Share based expenses	-	-	-	-	-	-	250	250
Dividends to equity shareholders	-	-	-	-	-	-	(10,294)	(10,294)
Purchase of own shares	-	-	(42)	-	-	-	-	(42)
Total contributions by and distributions to owners	-	-	(42)	-	-	-	(10,044)	(10,086)
At 31 December 2010	49,845	22,695	(9,514)	75,394	(213,067)	(179)	273,066	198,240

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 2011 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 26 August 2011.

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 Services Authority, the Condensed Consolidated Half-yearly Financial Statements have 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 2010.

The comparative figures for the financial year ended 31 December 2010 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Condensed Consolidated Half-yearly Financial Statements 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 2010.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Details of the Group's funding position are set out in Note 12 and are subject to normal covenant arrangements. The Group's on-demand overdraft facility is reviewed on an annual basis and the current arrangements were renewed and signed in August 2011. 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 to align its operational capacity with expected market conditions. Markets appear to be easing and stabilising and, based on current expectations, the Group's cash forecasts continue to meet half-year and year end bank covenants and there is adequate headroom which is not dependent on facility renewals. The Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Consolidated Half-yearly Financial Statements.

2. Segmental analysis

	Revenue			Operating profit		
	Half year ended June		Year ended December	Half year ended June		Year ended December
	2011	2010*	2010*	**2011**	2010*	2010*
	£'000	£'000	£'000	**£'000**	£'000	£'000
Continuing operations	**177,174**	162,558	308,843	**13,664**	9,391	12,981
Financial income and expenses (net)				**(1,443)**	(1,271)	(2,558)
Profit before tax				**12,221**	8,120	10,423

Geographical destination of revenue:

	Half year ended June		Year ended December
	2011	2010*	2010*
	£'000	£'000	£'000
United Kingdom	**171,253**	160,642	306,042
Rest of the world	**5,921**	1,916	2,801
	177,174	162,558	308,843

* The comparatives have been restated in respect of discontinued operations (Note 6).

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 2011 £'000	Half year ended June 2010* £'000	Year ended December 2010* £'000
Raw materials and consumables	**61,833**	54,313	108,021
Changes in inventories of finished goods and work in progress	**(1,894)**	1,085	830
Personnel costs	**44,253**	39,900	80,854
Depreciation - owned	**8,597**	8,733	17,422
- leased	**41**	18	101
Amortisation of intangible assets	**628**	439	1,433
Own work capitalised	**(862)**	(1,024)	(2,194)
Other operating costs	**54,181**	50,586	91,500
Negative goodwill (Note 10)	**(1,772)**	-	-
Acquisition costs	**482**	-	-
Overseas "start-up" costs	**745**	-	-
Share of results of associates	**14**	33	63
Operating costs	**166,246**	154,083	298,030
Other operating income	**(771)**	(780)	(1,747)
Net gain on asset and property disposals	**(1,965)**	(136)	(421)
Net operating costs	**163,510**	153,167	295,862

* The comparatives have been restated in respect of discontinued operations (Note 6).

As set out in Note 10, on 4 March 2011 the Group obtained control of a newly formed company in Belgium engaged in the manufacture and supply of landscape products. The Group acquired 66.7 per cent of the ordinary share capital and voting interests in Marshalls NV and the new business was established following the acquisition of certain business assets and the injection of new working capital. The Group incurred acquisition-related costs of £482,000 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in net operating costs.

The initial acquisition of these assets, principally land, buildings, plant and machinery, has given rise to negative goodwill. The first months of trading have necessitated the commissioning of the plant and the manufacture and sourcing of the Company's operational inventory and working capital. A new management team has been established and investment has been made in systems and procedures in this "start-up" phase. To assist the user of these Condensed Consolidated Half-yearly Financial Statements these "start up" costs have been separately disclosed.

4. Financial expenses and income

	Half year ended June 2011 £'000	Half year ended June 2010* £'000	Year ended December 2010* £'000
(a) Financial expenses			
Interest expense on bank loans, overdrafts and loan notes	**1,651**	916	2,180
Interest on obligations under the defined benefit Pension Scheme	**5,787**	6,377	12,293
Finance lease interest expense	**5**	4	6
	7,443	7,297	14,479
(b) Financial income			
Expected return on Scheme assets under the defined benefit Pension Scheme	**5,980**	5,967	11,917
Interest receivable and similar income	**20**	59	4
	6,000	6,026	11,921

* The comparatives have been restated in respect of discontinued operations (Note 6).

5. Income tax expense

	Half year ended June 2011	Half year ended June 2010*	Year ended December 2010*
	£'000	£'000	£'000
Current tax expense			
Current year	**2,765**	1,684	2,228
Adjustments for prior years	**-**	(506)	(506)
	2,765	1,178	1,722
Deferred tax expense			
Origination and reversal of temporary differences:			
Current year	**(829)**	501	1,047
Adjustments for prior years	**(425)**	-	(567)
Income tax expense in the Consolidated Income Statement (excluding tax on discontinued operations)	**1,511**	1,679	2,202
Tax on discontinued operations (excluding loss on sale)	**(194)**	(169)	(339)
Income tax credit on disposal and closure of discontinued operations	**(562)**	-	-
Total tax expense	**755**	1,510	1,863

	Half year ended June 2011		Half year ended June 2010*		Year ended December 2010*	
	%	**£'000**	%	£'000	%	£'000
Reconciliation of effective tax rate						
Profit before tax:						
Continuing operations	**100**	**12,221**	100.0	8,120	100.0	10,423
Tax using domestic corporation tax rate	**27.0**	**3,300**	28.0	2,274	28.0	2,918
Disallowed amortisation of intangible assets	**0.5**	**55**	0.6	46	4.1	435
Net income/expenditure not taxable	**(5.2)**	**(639)**	(1.7)	(135)	7.2	747
Adjustments for prior years	**(3.5)**	**(425)**	(6.2)	(506)	(10.3)	(1,073)
Impact of the change in the rate of corporation tax on deferred taxation	**(6.4)**	**(780)**	-	-	(7.9)	(825)
	12.4	**1,511**	20.7	1,679	21.1	2,202

* The comparatives have been restated in respect of discontinued operations (Note 6).

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

6. Discontinued operations

On 14 June 2011 the Group announced the proposed closure of its non-core garage and greenhouse manufacturing operations. Later in June 2011, agreement was reached to sell, separately, the Compton garage brand and the Alton and Robinson greenhouse brands, and the Compton manufacturing site has been closed. The operation has been treated as discontinued.

The results of the discontinued operations which have been included in the Condensed Consolidated Half-yearly Income Statement were as follows:

	Half year ended June		Year ended December
	2011	2010	2010
	£'000	£'000	£'000
Revenue	**5,856**	7,253	14,261
Net operating costs	**(6,575)**	(7,856)	(15,471)
Loss before tax	**(719)**	(603)	(1,210)
Income tax credit	**194**	169	339
Loss after tax	**(525)**	(434)	(871)
Loss on disposal and closure of discontinued operations	**(4,949)**	-	-
Income tax credit on disposal and closure of discontinued operations	**562**	-	-
Net loss attributable to discontinued operations	**(4,912)**	(434)	(871)
Basic loss per share (pence)	**(2.51)p**	(0.22)p	(0.45)p
Diluted earnings per share (pence)	**(2.46)p**	(0.22)p	(0.44)p

Effect of disposal and closure on the financial position of the Group

	£'000
Property, plant and equipment	**266**
Intangible assets	**1,359**
Assets disposed of	**1,625**
Consideration received, satisfied in cash	**550**
Consideration receivable	**450**
Professional fees accrued	**(93)**
Net consideration received	**907**
Loss on disposal	**718**
Closure costs	**4,231**
Loss on disposal and closure of discontinued operations	**(4,949)**

6. **Discontinued operations** (continued)

During the half year ended June 2011 Compton contributed an outflow of £808,000 to the Group's net operating cash flows (half year ended June 2010: £1,486,000; December 2010: £895,000), received £550,000 in respect of investing activities (half year ended June 2010: paid £27,000; year ended December 2010: paid £39,000) and paid £nil in respect of financing activities (half year ended June 2010: £nil; year ended December 2010: £nil).

A pre tax loss of £718,000 arose on the disposal of the Compton garage and the Alton and Robinson greenhouse brands, being the proceeds of disposal less the carrying amount of the relevant net assets. In addition the estimated net cost of the closure of the Compton site is £4,231,000. The total net loss on disposal and closure of discontinued operations is £4,949,000.

Basic loss per share from discontinued operations of 2.51 pence (30 June 2010: 0.22 pence; 31 December 2010: 0.45 pence) per share is calculated by dividing the loss attributable to ordinary shareholders from discontinued operations of £4,912,000 (30 June 2010: £434,000; 31 December 2010: 871,000) by the weighted average number of shares in issue during the period of 195,381,014 (30 June 2010: 195,503,776; 31 December 2010: 195,462,449).

The ordinary shares are considered to be anti-dilutive to the loss per share from the discontinued operations calculation.

7. **Earnings per share**

Basic earnings per share of 2.96 pence (30 June 2010: 3.07 pence; 31 December 2010: 3.76 pence) per share is calculated by dividing the profit attributable to ordinary shareholders from total operations, and after deducting non-controlling interests, of £5,776,000 (30 June 2010: £6,007,000; 31 December 2010: 7,350,000) by the weighted average number of shares in issue during the period of 195,381,014 (30 June 2010: 195,503,776; 31 December 2010: 195,462,449).

Basic earnings per share from continuing operations of 5.47 pence (30 June 2010: 3.29 pence; 31 December 2010: 4.21 pence) per share is calculated by dividing the profit from continuing operations and after deducting non-controlling interests of £10,688,000 (30 June 2010: £6,441,000; 31 December 2010: £8,221,000) by the weighted average number of shares in issue during the year of 195,381,014 (30 June 2010: 195,503,776; 31 December 2010: 195,462,449).

Attributable profit	Half year ended June		Year ended December
	2011	2010	2010
	£'000	£'000	£'000
Profit from continuing operations	**10,710**	6,441	8,221
Loss from discontinued operations	**(4,912)**	(434)	(871)
Profit attributable to ordinary shareholders	**5,798**	6,007	7,350
Profit attributable to to non-controlling interests	**(22)**	-	-
	5,776	6,007	7,350

Weighted average number of ordinary shares	Half year ended June		Year ended December
	2011	2010	2010
	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	**(1,572,741)**	(1,449,979)	(1,491,306)
Effect of treasury shares acquired	**(2,425,000)**	(2,425,000)	(2,425,000)
Weighted average number of ordinary shares at end of the period	**195,381,014**	195,503,776	195,462,449

Diluted earnings per share of 2.90 pence (30 June 2010: 3.01 pence; 31 December 2010: 3.69 pence) per share is calculated by dividing the profit attributable to ordinary shares and potentially dilutive ordinary shares from total operations and after deducting non-controlling inerests of £5,776,000 (30 June 2010: £6,007,000; 31 December 2010: £7,350,000) by the weighted average number of shares in issue during the period of 195,381,014 (30 June 2010: 195,503,776; 31 December 2010: 195,462,449) plus potentially dilutive shares of 3,997,741 (30 June 2010: 3,874,979; 31 December 2010: 3,916,306) which totals 199,378,755 (30 June 2010: 199,378,755; 31 December 2010: 199,378,755).

7. Earnings per share (continued)

Diluted earnings per share from continuing operations of 5.36 pence (30 June 2010: 3.23 pence; 31 December 2010: 4.13 pence) per share is calculated by dividing the profit attributable to ordinary shares and potentially dilutive ordinary shares from continuing operations and after deducting non-controlling interests of £10,688,000 (30 June 2010: £6,441,000; 31 December 2010: £8,221,000) by the weighted average number of shares in issue during the period of 195,381,014 (30 June 2010: 195,503,776; 31 December 2010: 195,462,449) plus potentially dilutive shares of 3,997,741 (30 June 2010: 3,874,979; 31 December 2010: 3,916,306) which totals 199,378,755 (30 June 2010: 199,378,755; 31 December 2010: 199,378,755).

Weighted average number of ordinary shares (diluted)	Half year ended June		Year ended December
	2011	2010	2010
	£'000	£'000	£'000
Weighted average number of ordinary shares	**195,381,014**	195,503,776	195,462,449
Effect of shares transferred into employee benefit trust	**1,572,741**	1,449,979	1,491,306
Effect of treasury shares acquired	**2,425,000**	2,425,000	2,425,000
Weighted average number of ordinary shares (diluted)	**199,378,755**	199,378,755	199,378,755

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	Half year ended June		Year ended December
		2011	2010	2010
		£'000	£'000	£'000
2011 interim	1.75	**3,431**	-	-
2010 final	3.50	**-**	-	6,863
2010 interim	1.75	**-**	3,431	3,431
		3,431	3,431	10,294

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

	Pence per qualifying share	Half year ended June		Year ended December
		2011	2010	2010
		£'000	£'000	£'000
2010 final	3.50	**6,863**	-	-
2010 interim	1.75	**-**	-	3,431
2009 final	3.50	**-**	6,863	6,863
		6,863	6,863	10,294

The 2010 final dividend of 3.50 pence per qualifying ordinary share, total value £6,863,000 was paid on 8 July 2011 to shareholders registered at the close of business on 10 June 2011.

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 closed to new members and future service accrual. Pension contributions, for both the employer and the employee, are made into the defined contribution section of the Scheme.

	June		December
	2011	2010	2010
	£'000	£'000	£'000
Present value of funded obligations	**(214,466)**	(220,204)	(212,394)
Fair value of Scheme assets	**210,838**	193,229	208,302
Net liability in the Scheme for defined benefit obligations (see below)	**(3,628)**	(26,975)	(4,092)
Experience adjustments on Scheme liabilities	**(200)**	4,104	14,332
Experience adjustments on Scheme assets	**(2,829)**	3,987	13,658

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

	Half year ended June		Year ended December
	2011	2010	2010
	£'000	£'000	£'000
Net liability for defined benefit obligations at beginning of the period	**(4,092)**	(37,956)	(37,956)
Contributions received	**3,300**	3,300	6,600
Profit/(loss) recognised in the Consolidated Income Statement	**193**	(410)	(376)
Actuarial (losses)/gains recognised in the Consolidated Statement of Comprehensive Income	**(3,029)**	8,091	27,640
Net liability in the Scheme for the defined benefit obligations at period end	**(3,628)**	(26,975)	(4,092)

The actuarial loss of £3,029,000 in the half year ended 30 June 2011 is due to the net effect of the movement in the fair value of the Scheme assets, the increase in the AA corporate bond rate from 5.5 per cent to 5.6 per cent and the increase in the inflation assumption.

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

	June		December
	2011	2010	2010
Discount rate (AA corporate bond rate)	**5.6%**	5.5%	5.5%
Inflation (RPI)	**3.5%**	3.3%	3.4%
Inflation (CPI)	**2.8%**	n/a	2.7%
Future pension increases	**2.8%**	3.3%	2.7%
Expected return on Scheme assets	**5.8%**	6.5%	5.8%
Future expected lifetime of pensioner at age 65 (years):			
Male:	**20.7**	20.5	20.6
Female:	**23.8**	23.5	23.8

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

10. Acquisition of subsidiary and non-controlling interests

On 4 March 2011 the Group obtained control of a newly formed company located and registered in Belgium called Marshalls NV. The Group acquired 66.7 per cent of the ordinary share capital and voting interests of Marshalls NV and the remaining 33.3 per cent non-controlling interest is owned by an unrelated party. Marshalls NV manufactures and supplies landscape, driveway and garden products from a range of materials, but principally concrete and natural stone.

In the period to 30 June 2011 Marshalls NV contributed revenue of £4,291,000 and operating profit of £65,000 to the Group's results.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

	£'000
Cash	**3,250**
Deferred consideration	**2,143**
	5,393

Identified assets acquired and liabilities assumed, recorded at fair value on a provisional basis

	£'000
Property, plant and equipment	**7,899**
Inventories	**1,104**
Cash and cash equivalents	**2,146**
Trade and other debtors	**742**
Trade and other payables	**(1,142)**
Total net identifiable assets	**10,749**

Net cash outflow on acquisition of subsidiaries

	£'000
Consideration paid in cash	**3,250**
less: cash and cash equivalents acquired	**(2,146)**
Net cash outflow	**1,104**

Negative goodwill has been recognised as a result of the acquisition as follows:

	£'000
Total consideration transferred	**5,393**
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	**3,584**
Fair value of identifiable assets	**(10,749)**
Negative goodwill (Note 3)	**(1,772)**

The transaction meets the definition of a bargain purchase and, in accordance with IFRS3, the recognised gain has been reported in the Consolidated Half-yearly Income Statement as negative goodwill. The situation has arisen due to the majority of the assets being acquired through a Belgium Court process as a consequence of the major part of the former trading business falling into severe financial difficulties.

11. Analysis of net debt

	1 January 2011 £'000	Cash flow £'000	**30 June 2011 £'000**
Cash at bank and in hand	4,059	22,216	**26,275**
Debt due within one year	(40,900)	(5,763)	**(46,663)**
Debt due after one year	(30,000)	(20,000)	**(50,000)**
	(66,841)	(3,547)	**(70,388)**

Reconciliation of Net Cash Flow to Movement in Net Debt

	Half year ended June		Year ended December
	2011	2010	2010
	£'000	£'000	£'000
Net increase/(decrease) in cash and cash equivalents	**22,216**	9,885	(5,224)
Cash (inflow)/outflow from increase/(decrease) in debt and lease financing	**(25,763)**	(7,478)	7,539
Movement in net debt in the period	**(3,547)**	2,407	2,315
Net debt at beginning of the period	**(66,841)**	(69,156)	(69,156)
Net debt at the end of the period	**(70,388)**	(66,749)	(66,841)

12. Borrowing facilities

The total borrowing facilities at 30 June 2011 amounted to £188.4 million (30 June 2010: £188.4 million; 31 December 2010: £168.4 million) of which £91.7 million (30 June 2010: £102.5 million; 31 December 2010: £97.5 million) remained unutilised.

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

The undrawn facilities available at 30 June 2011 in respect of which all conditions precedent had been met were as follows:

	June		December
	2011	2010	2010
	£'000	£'000	£'000
Committed			
- Expiring in one year or less	**1,737**	-	7,500
- Expiring in more than two years but not more than five years	**45,000**	57,500	65,000
Uncommitted			
- Expiring in one year or less	**45,000**	45,000	25,000
	91,737	102,500	97,500

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

12. Borrowing facilities (continued)

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 in August 2011, is set out as follows:

	Facility £'000	Cumulative Facility £'000
Committed facilities:		
Q3: 2016	25,000	25,000
Q3: 2015	25,000	50,000
Q3: 2014	20,000	70,000
Q1: 2013	50,000	120,000
Q4: 2012	25,000	145,000
On demand facilities:		
Available all year	25,000	170,000
Seasonal (February to August inclusive)	20,000	190,000

13. Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year are those detailed on pages 21 to 24 of the 2010 Annual Report. These cover the Strategic, Financial and Operational Risks and have not changed during the period.

Strategic risks include those relating to general economic conditions, Government policy, the actions of customers, suppliers and competitors and also weather conditions. The Group also continues to be subject to various financial risks in relation to access to funding and to the Pension Scheme, principally the volatility of the discount (AA corporate bond) rate, any downturn in the performance of equities and increases in the longevity of members. The other main financial risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk. Operational risks include those relating to business integration, employees and key relationships. The Group continues to monitor all these risks and pursue policies that take account of, and mitigate, the risks where possible.

Responsibility Statement

The Directors who held office at the date of approval of these Financial Statements confirm that to the best of their knowledge:

- the Condensed Consolidated Half-yearly Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union; and
- the Half-yearly management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the half year ended 30 June 2011 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 2011 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 2011 were as follows:

Andrew Allner	Chairman
Graham Holden	Chief Executive
Ian Burrell	Finance Director
David Sarti	Chief Operating Officer
Alan Coppin	Non-Executive Director
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 25 and 26 of the 2010 Annual Report.

By order of the Board
Cathy Baxandall
Company Secretary
26 August 2011

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 set of Financial Statements in the Half-yearly Financial Report for the six months ended 30 June 2011 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 Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

We conducted our review in accordance with 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 UK. A review of the Half-yearly Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the Half-yearly Financial Report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Chris Hearld
for and on behalf of KPMG Audit Plc
Chartered Accountants
1 The Embankment
Neville Street
Leeds LS1 4DW
26 August 2011

Advisers

Stockbrokers
Citigroup Global Markets Limited
Numis Securities Limited

Auditors
KPMG Audit Plc

Legal Advisers
Herbert Smith LLP
Eversheds LLP
Pinsent Masons LLP

Financial Advisers
N M Rothschild & Sons Limited

Bankers
Royal Bank of Scotland plc
Lloyds TSB Bank plc
HSBC Bank plc
Barclays Bank PLC

Registrars
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Shareholders' enquiries should be addressed to the Registrars at the above address (Tel: 0870 707 1134)

Registered Office

Birkby Grange
Birkby Hall Road
Huddersfield HD2 2YA

Telephone: 01484 438900
Facsimile: 01484 438945

Internet address:
http://www.marshalls.co.uk

Shareholder Information

Financial calendar

Half-yearly results for the year ending December 2011	Announced	26 August 2011
Half-yearly dividend for the year ending December 2011	Payable	2 December 2011
Results for the year ending December 2011	Announcement	Early March 2012
Report and accounts for the year ending December 2011		April 2012
Annual General Meeting		May 2012
Final dividend for the year ending December 2011	Payable	July 2012

Registrars

All administrative enquiries relating to shareholdings should, in the first instance, be directed to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, telephone: 0870 707 1134, fax: 0870 703 6116 and 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 an internet website which gives information in the Group, its products and provides details of significant Group announcements. The address is www.marshalls.co.uk.