

2013 HALF-YEARLY RESULTS REVIEW AND OUTLOOK

Marshalls

Financial Highlights

	Half year ended 30 June 2013	Half year ended 30 June 2012* †	%
Continuing operations:			
Revenue	£156.5m	£163.1m	(4)
Operating profit	£9.8m	£8.8m	11
Profit before tax	£8.0m	£7.0m	15
Basic EPS	3.80p	3.43p	11
Interim dividend per share	1.75p	1.75p	
Net debt	£53.0m	£83.8m	
Reported results:			
Profit / (loss) before tax	£8.0m	£(11.5)m	
Profit / (loss) for the financial period	£7.6m	£(7.5)m	
Basic EPS	4.00p	(3.82)p	

*The comparatives have been restated in respect of discontinued operations

† The comparative continuing operations are before operational restructuring costs and asset impairments

Highlights:

- Profit before tax up 15% to £8.0 million (2012: £7.0 million) reflecting improved second quarter performance and the benefits from the prior year restructuring
- Net debt reduced by 37% to £53.0 million (2012: £83.8 million) reflecting tight control of inventory and working capital and the receipt, in April 2013, of £17.5m from the sale of the non core aggregates businesses
- Demand improving and order intake increasing
- International business revenue up 12% with significant increase in orders gained
- Installer order book increased at 10.2 weeks (2012: 9.0 weeks)

Interim Management Report

Group Results

Marshalls' revenue from continuing operations for the six months ended 30 June 2013 was £156.5 million (2012: £163.1 million) a decrease of 4 per cent.

Working conditions in the first quarter, which included the coldest March since 1910, were difficult. However, in quarter two, there has been an improvement with a positive change in customer sentiment and order intake increasing during May and June. We had anticipated improving market conditions as the year progressed and therefore there is no change to our expectations for the current year. The programme of cost reduction and cash realisation measures instigated in 2012 is complete and continues to deliver positive results.

Sales to the Public Sector and Commercial end market, which represent approximately 63 per cent of Marshalls' sales, were down 6 per cent, on a continuing basis. Sales to the Domestic end market, which represent approximately 32 per cent of Group sales, were down 3 per cent compared with the prior year period. Sales in the International business have increased by 12 per cent in the six months ended 30 June 2013 and are now 5 per cent of Group sales.

On 30 April 2013 the Group completed the sale of quarries and associated aggregates businesses to Breedon Aggregates England Limited. The revenue generated from these operations in the period to disposal on 30 April 2013 was £3.0 million (six months ended 30 June 2012: £4.4 million). For the year ended 31 December 2012 the operating profit generated from the operations at these quarries was £1.1 million, based on annual turnover of £10.0 million, of which £8.8 million came from sales outside the Group. The operations have been treated as discontinued in these half-year results. The post tax profit from discontinued operations in the six months ended 30 June 2013 is £0.4 million, which includes a net profit on disposal of £0.2 million. On 23 August 2013 additional consideration of £1 million was received following the satisfactory completion of a post completion condition. This condition had required the commissioning of a sand extraction plant to the satisfaction of the purchaser. The additional consideration, net of attributable costs, has given rise to an increase in the post tax profit of discontinued operations of £0.7 million and this will be recognised in the second half.

The initial cash consideration at completion of £17.5 million has enabled the Group to improve materially on its target net debt to EBITDA ratio of two times by the end of 2013. The net debt to EBITDA ratio at 30 June 2013 is 1.9 times.

Operating profit from continuing operations was £9.8 million (2012: £8.8 million, before operational restructuring costs and asset impairments). EBITDA from continuing operations was £17.0 million (2012: £17.0 million, before operational restructuring costs and asset impairments).

Net finance costs were £1.8 million (2012: £1.8 million) and interest was covered 5.6 times (2012: 4.8 times). The effective tax rate, from continuing operations, was 10.7 per cent (2012: 4.8 per cent, before operational restructuring costs and asset impairments) and continued to benefit from the reduction in the rate of corporation tax, a credit arising on the finalisation of prior year tax computations and the utilisation of brought forward capital losses. There will be an additional deferred tax credit in the second half as reductions in the rate of corporation tax to 21 per cent by April 2014 and 20 per cent by April 2015 were substantively enacted, following the receipt of Royal Assent in July 2013, and this is expected to result in there being only a nominal tax charge in the year.

Basic EPS from continuing operations was 3.80 pence (2012: 3.43 pence, before operational restructuring costs and asset impairments). EPS from total operations was 4.00 pence (2012: loss of 3.82 pence). The declared interim dividend will be held at 1.75 pence (2012: 1.75 pence) per share..

Operating Performance

The Group's recent operational focus has been to reduce cost, match inventory to demand and create operational flexibility. Manufacturing output can now be increased by over 25 per cent without the need for any significant investment. Inventory is at an optimum level for current market conditions and, as demand is improving, output is being increased.

In the Public Sector and Commercial end market Marshalls' strategy is to continue to build on its position as a market leading landscape products specialist. The Group has experienced technical and sales teams who continue to focus on markets where future demand is greatest across a full range of integrated products and sustainable solutions to customers, architects and contractors. The Group maintains its reputation for technical expertise, quality and service and has extensive reserves of natural stone. This broad approach differentiates the Group from its competitors.

Although Public Sector demand has been subdued, Commercial order intake has been strong in the second quarter with the Group securing its largest ever natural stone paving order in Manchester and two significant export orders for street furniture in Saudi Arabia and Qatar. Stone cladding, which is a relatively new area of focus for the Group, is a particular growth area and the supply of stone for a new prestigious office building in the City of London will deliver sales in the region of £6 million over the next two years. Commercial work from rail and new house building is also increasing, albeit from historically low levels.

In the Domestic end market Marshalls' strategy continues to be to drive more sales through quality installers. The Marshalls Register of approved domestic installers is unique and has grown to over 1,800 teams. The focus is to ensure a consistently high quality standard and good geographical coverage and the Group remains committed to increasing the marketing support of the installer base through increased training, marketing materials and sales support. The Group has also continued to focus on innovation in order to develop areas of particular sales opportunity and to strengthen further the Marshalls' brand. The Group launched Cobbletech in 2012 as a Marshalls Installer exclusive. This has utilised patented technology developed by the Group's Belgian business and is the market's first genuinely new driveway product for a decade. Sales in the first half of 2013 were £0.8 million, a significant increase from £0.2 million in the whole of the prior year. Utilising this technology Marshalls has further new products to launch over the next few years and the product's technical strength means that it is potentially suitable for both Commercial and Domestic applications.

Historically, there has been a good correlation between consumer confidence and the installer order books. The survey of domestic installers at the end of June 2013 revealed order books at a very encouraging 10.2 weeks (2012: 9.0 weeks) and compares with 8.5 weeks at the end of April 2013 (2012: 7.5 weeks). This is the highest June order book since 2004.

Continued progress is being made in developing the International business and activity levels are encouraging. The Group's new Belgian subsidiary, Marshalls NV, is now nearing the end of its "start-up" phase and the management team has been fully established. Sales from the International business have increased by 12 per cent in the six months ended 30 June 2013 despite the negative market background in Europe. The Belgian business provides a physical stock location in mainland Europe from which to supply the Group's specialist product portfolio. Marshalls continues to expand its geographical reach and to extend its International supply chains and routes to market.

Balance Sheet and Cash Flow

Net assets at 30 June 2013 were £182.7 million (June 2012: £179.5 million).

At 30 June 2013 net debt was £53.0 million (June 2012: £83.8 million) which is a reduction of 37 per cent. Cash management continues to be a high priority area and the Group has reduced inventory levels by approximately £10 million, on a like for like basis, compared with the half year position in 2012. This, combined with the cash realisation from the asset sales, has resulted in gearing of 29.0 per cent (June 2012: 46.7 per cent).

In July 2013, following the steady reduction in net debt, and especially following the disposal of the aggregates businesses, the Group cancelled a £25 million loan facility in order to re-align the unused headroom against available facilities. The Group continues its policy of having significant committed facilities in place with a positive spread of medium term maturities. In August 2013, the Group renewed its short term working capital facilities with RBS.

The balance sheet includes the defined benefit pension surplus of £9.9 million at 30 June 2013 (December 2012: £8.2 million surplus; June 2012: £2.1 million surplus). This balance is made up of £247.1 million (December 2012: £246.6 million; June 2012: £247.5 million) in respect of the present value of the Scheme obligations and of £257.0 million (December 2012: £254.8 million; June 2012: £249.6 million) in respect of the fair value of the Scheme assets. The surplus has been determined by the Scheme Actuary using assumptions that are considered to be prudent and in line with current market levels. The assumptions that have changed in the last six months are an increase in the AA corporate bond rate from 4.7 per cent to 4.9 per cent, in line with market movements, and an increase in the expected rate of inflation ("RPI") from 2.9 per cent to 3.4 per cent.

Dividend

The Board has declared an interim dividend of 1.75 pence (June 2012: 1.75 pence) per share. This dividend will be paid on 6 December 2013 to shareholders on the register at the close of business on 25 October 2013. The ex-dividend date will be 23 October 2013.

Board

As previously announced, Martyn Coffey will assume the position of Chief Executive on 10 October 2013. On the same date, Graham Holden will step down from the Board and he will remain with the business until April 2014 to provide a comprehensive handover and seamless transition.

Outlook

Economic conditions are improving and the forward indicators are more positive. After a weak first quarter our markets are now growing and we remain on plan. We had anticipated improving market conditions as the year progressed and, therefore, there is no change to our expectations for the current year.

The Construction Products Association's summer forecast shows the reduction in UK market volumes in 2013 being 1.5 per cent which is a significant recovery from the quarter one reduction of 10 per cent. Improved growth of 2.2 per cent and 4.5 per cent are now forecast for 2014 and 2015 respectively. Consumer confidence has started to show modest improvement.

In the short term the priority is to increase output to meet growing demand and the combination of higher sales and greater output should deliver benefits from operational gearing. Looking further forward the action taken to reduce the cost base and reduce net debt, combined with a range of growth initiatives and our operating flexibility, means the business is well positioned to take full advantage of the improving market conditions.

Graham Holden
Chief Executive

Condensed Consolidated Half-yearly Income Statement

for the half year ended 30 June 2013

	Notes	**Half year ended June 2013 £'000**	Half year ended June 2012 Before operational restructuring costs and asset impairments* £'000	Half year ended June 2012 Operational restructuring costs and asset impairments £'000	Half year ended June 2012 Total* £'000	Year ended December 2012 Before operational restructuring costs and asset impairments* £'000	Year ended December 2012 Operational restructuring costs and asset impairments £'000	Year ended December 2012 Total* £'000
Revenue	2	**156,520**	163,107	-	163,107	300,938	-	300,938
Net operating costs	3	**(146,760)**	(154,287)	(18,450)	(172,737)	(288,087)	(21,521)	(309,608)
Operating profit / (loss)	2	**9,760**	8,820	(18,450)	(9,630)	12,851	(21,521)	(8,670)
Financial expenses	5	**(1,988)**	(2,176)	-	(2,176)	(4,291)	-	(4,291)
Financial income	5	**256**	354	-	354	713	-	713
Profit / (loss) before tax	2	**8,028**	6,998	(18,450)	(11,452)	9,273	(21,521)	(12,248)
Income tax (expense) / credit	6	**(860)**	(338)	3,888	3,550	1,507	4,367	5,874
Profit / (loss) for the financial period before post tax profit of discontinued operations		**7,168**	6,660	(14,562)	(7,902)	10,780	(17,154)	(6,374)
Post tax profit of discontinued operations	7	**397**	400	-	400	676	-	676
Profit / (loss) for the financial period		**7,565**	7,060	(14,562)	(7,502)	11,456	(17,154)	(5,698)
Profit / (loss) for the period Attributable to:								
Equity shareholders of the parent		**7,818**	7,103	(14,562)	(7,459)	11,470	(17,154)	(5,684)
Non-controlling interests		**(253)**	(43)	-	(43)	(14)	-	(14)
		7,565	7,060	(14,562)	(7,502)	11,456	(17,154)	(5,698)
Earnings per share (total operations):								
Basic	8	**4.00p**	3.63p		(3.82)p	5.87p		(2.91)p
Diluted	8	**3.92p**	3.56p		(3.82)p	5.75p		(2.91)p
Earnings per share (continuing operations):								
Basic	8	**3.80p**	3.43p		(4.02)p	5.52p		(3.26)p
Diluted	8	**3.72p**	3.36p		(4.02)p	5.41p		(3.26)p
Dividend:								
Pence per share	9	**3.50p**			3.50p			5.25p
Dividends declared	9	**6,861**			6,861			10,292

* The comparatives have been restated in respect of discontinued operations (Note 7), and in respect of the revisions to IAS 19 –*"Employee Benefits (2011)"* (Note 5).

Condensed Consolidated Half-yearly Statement of Comprehensive Income

for the half year ended 30 June 2013

	Half year ended June 2013 £'000	Half year ended June 2012* £'000	Year ended December 2012* £'000
Profit for the financial period (2012 before operational restructuring costs and asset impairments)	**7,565**	7,060	11,456
Operational restructuring costs and asset impairments	**-**	(14,562)	(17,154)
Profit / loss for the financial period	**7,565**	(7,502)	(5,698)
Other comprehensive income			
Items that will not be reclassified to the income statement:			
Defined benefit plan actuarial losses	**(3,865)**	(14,530)	(9,063)
Deferred tax arising	**889**	3,487	2,084
Total items that will not be reclassified to the Income Statement:	**(2,976)**	(11,043)	(6,979)
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	**1,518**	(2,304)	(2,050)
Fair value of cash flow hedges transferred to the Income Statement	**(734)**	363	840
Deferred tax arising	**(180)**	466	298
Impact of the change in rate of deferred taxation	**-**	253	360
Foreign currency translation differences - foreign operations	**232**	62	116
Foreign currency translation differences - non-controlling interests	**65**	(112)	(106)
Total items that are or may be reclassified subsequently to the Income Statement:	**901**	(1,272)	(542)
Other comprehensive expense for period, net of income tax	**(2,075)**	(12,315)	(7,521)
Total comprehensive income for the period	**5,490**	(19,817)	(13,219)
Attributable to:			
Equity shareholders of the parent	**5,678**	(19,662)	(13,099)
Non-controlling interests	**(188)**	155	(120)
	5,490	(19,817)	(13,219)

* The comparatives have been restated in respect of discontinued operations (Note 7).

Condensed Consolidated Half-yearly Balance Sheet

as at 30 June 2013

	Notes	June 2013 £'000	June 2012 £'000	December 2012 £'000
Assets				
Non-current assets				
Property, plant and equipment		**158,611**	181,223	175,607
Intangible assets		**41,299**	41,557	41,413
Investments in associates		**603**	618	650
Employee benefits	10	**9,902**	2,087	8,212
		210,415	225,485	225,882
Current assets				
Inventories		**71,818**	83,823	75,416
Trade and other receivables		**50,818**	56,736	30,218
Cash and cash equivalents		**9,444**	662	11,101
		132,080	141,221	116,735
Total assets		**342,495**	366,706	342,617
Liabilities				
Current liabilities				
Trade and other payables		**74,221**	80,245	61,513
Corporation tax		**3,504**	3,084	2,828
Interest bearing loans and borrowings		**48**	32	99
		77,773	83,361	64,440
Non-current liabilities				
Interest bearing loans and borrowings		**62,382**	84,382	74,545
Deferred taxation liabilities		**19,652**	19,470	20,058
		82,034	103,852	94,603
Total liabilities		**159,807**	187,213	159,043
Net assets		**182,688**	179,493	183,574
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		**(9,512)**	(9,514)	(9,571)
Capital redemption reserve		**75,394**	75,394	75,394
Consolidation reserve		**(213,067)**	(213,067)	(213,067)
Hedging reserve		**(612)**	(1,779)	(1,216)
Retained earnings		**254,249**	252,680	255,610
Equity attributable to equity shareholders of the parent		**178,992**	176,254	179,690
Non-controlling interests		**3,696**	3,239	3,884
Total equity		**182,688**	179,493	183,574

Condensed Consolidated Half-yearly Cash Flow Statement

for the half year ended 30 June 2013

	Half year ended June		Year ended December
	2013	2012	2012
	£'000	£'000	£'000
Cash flows from operating activities			
Profit for the financial period (2012 before operational restructuring costs and asset impairments)	**7,565**	7,060	11,456
Operational restructuring costs and asset impairments	**-**	(14,562)	(17,154)
Profit / (loss) for the financial period	**7,565**	(7,502)	(5,698)
Income tax expense on continuing operations	**860**	338	(1,507)
Income tax credit on operational restructuring and asset impairments	**-**	(3,888)	(4,367)
Profit on disposal and closure of discontinued operations	**(166)**	-	-
Income tax credit on discontinued operations	**110**	230	402
Profit / (loss) before tax on total operations	**8,369**	(10,822)	(11,170)
Adjustments for:			
Depreciation	**7,044**	8,043	14,783
Amortisation	**350**	593	1,247
Operational restructuring cost and asset impairments	**-**	11,884	21,521
Share of results of associates	**46**	3	(28)
Loss / (gain) on sale of property, plant and equipment	**49**	(563)	(1,944)
Gain on exchange of property	**-**	-	(594)
Equity settled share based expenses	**485**	107	468
Financial income and expenses (net)	**1,732**	1,822	3,578
Operating cash flow before changes in working capital and pension scheme contributions	**18,075**	11,067	27,861
(Increase) / decrease in trade and other receivables	**(21,467)**	(16,541)	9,970
Decrease / (increase) in inventories	**1,655**	(1,369)	4,968
Increase / (decrease) in trade and other payables	**6,227**	9,999	(2,742)
Operational restructuring costs paid	**(772)**	(1,334)	(7,431)
Pension scheme contributions	**(5,300)**	(3,300)	(3,600)
Cash (absorbed by) / generated from the operations	**(1,582)**	(1,478)	29,026
Financial expenses paid	**(1,989)**	(2,175)	(4,292)
Income tax paid	**-**	(1,068)	(46)
Net cash flow from operating activities	**(3,571)**	(4,721)	24,688
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**122**	2,201	8,595
Financial income received	**1**	2	4
Proceeds from disposal of discontinued operations	**17,650**	150	150
Acquisition of property, plant and equipment	**(3,432)**	(3,827)	(8,609)
Acquisition of intangible assets	**(238)**	(713)	(1,212)
Net cash flow from investing activities	**14,103**	(2,187)	(1,072)
Cash flows from financing activities			
Payments to acquire own shares	**-**	-	(57)
Net decrease in other debt and finance lease	**(39)**	(58)	154
(Decrease) / increase in borrowings	**(12,176)**	1,643	(8,307)
Equity dividends paid	**-**	-	(10,292)
Net cash flow from financing activities	**(12,215)**	1,585	(18,502)
Net (decrease) / increase in cash and cash equivalents	**(1,683)**	(5,323)	5,114
Cash and cash equivalents at beginning of the period	**11,101**	5,998	5,998
Effect of exchange rate fluctuations	**26**	(13)	(11)
Cash and cash equivalents at end of the period	**9,444**	662	11,101

Condensed Consolidated Half-yearly Statement of Changes in Equity

for the half year ended 30 June 2013

	Attributable to equity holders of the Company								Non-con-trolling interests	Total equity
	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	£'000	£'000
Current half-year										
At 1 January 2013	**49,845**	**22,695**	**(9,571)**	**75,394**	**(213,067)**	**(1,216)**	**255,610**	**179,690**	**3,884**	**183,574**
Total comprehensive income for the period										
Profit for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	**7,818**	**7,818**	**(253)**	**7,565**
Other comprehensive income / (expense)										
Foreign currency translation differences	-	-	-	-	-	-	**232**	**232**	**65**	**297**
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	**1,518**	-	**1,518**	-	**1,518**
Net change in fair value of cash flow hedges transferred to the Income Statement	-	-	-	-	-	**(734)**	-	**(734)**	-	**(734)**
Deferred tax arising	-	-	-	-	-	**(180)**	-	**(180)**	-	**(180)**
Defined benefit plan actuarial losses	-	-	-	-	-	-	**(3,865)**	**(3,865)**	-	**(3,865)**
Deferred tax arising	-	-	-	-	-	-	**889**	**889**	-	**889**
Total other comprehensive income	-	-	-	-	-	**604**	**(2,744)**	**(2,140)**	**65**	**(2,075)**
Total comprehensive income for the period	-	-	-	-	-	**604**	**5,074**	**5,678**	**(188)**	**5,490**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share based expenses	-	-	-	-	-	-	**485**	**485**	-	**485**
Dividends to equity shareholders	-	-	-	-	-	-	**(6,861)**	**(6,861)**	-	**(6,861)**
Disposal of own shares	-	-	**59**	-	-	-	**(59)**	-	-	-
Total contributions by and distributions to owners	-	-	**59**	-	-	-	**(6,435)**	**(6,376)**	-	**(6,376)**
Total transactions with Owners of the Company	-	-	**59**	-	-	**604**	**(1,361)**	**(698)**	**(188)**	**(886)**
At 30 June 2013	**49,845**	**22,695**	**(9,512)**	**75,394**	**(213,067)**	**(612)**	**254,249**	**178,992**	**3,696**	**182,688**

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

for the half year ended 30 June 2013

	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
Prior half-year										
At 1 January 2012	49,845	22,695	(9,514)	75,394	(213,067)	(304)	277,621	202,670	3,394	206,064
Total comprehensive expense for the period										
Loss for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	(7,459)	(7,459)	(43)	(7,502)
Other comprehensive Income / (expense)										
Foreign currency translation differences	-	-	-	-	-	-	62	62	(112)	(50)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	(2,304)	-	(2,304)	-	(2,304)
Net change in fair value of cash flow hedges transferred to the Income Statement	-	-	-	-	-	363	-	363	-	363
Deferred tax arising	-	-	-	-	-	466	-	466	-	466
Defined benefit plan actuarial losses	-	-	-	-	-	-	(14,530)	(14,530)	-	(14,530)
Deferred tax arising	-	-	-	-	-	-	3,487	3,487	-	3,487
Impact of the change in rate of deferred taxation	-	-	-	-	-	-	253	253	-	253
Total other comprehensive income	-	-	-	-	-	(1,475)	(10,728)	(12,203)	(112)	(12,315)
Total comprehensive expense for the period	-	-	-	-	-	(1,475)	(18,187)	(19,662)	(155)	(19,817)
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share based expenses	-	-	-	-	-	-	107	107	-	107
Dividends to equity shareholders	-	-	-	-	-	-	(6,861)	(6,861)	-	(6,861)
Total contributions by and distributions to owners	-	-	-	-	-	-	(6,754)	(6,754)	-	(6,754)
Total transactions with Owners of the Company	-	-	-	-	-	(1,475)	(24,941)	(26,416)	(155)	(26,571)
At 30 June 2012	49,845	22,695	(9,514)	75,394	(213,067)	(1,779)	252,680	176,254	3,239	179,493

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

for the half year ended 30 June 2013

	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
Prior year										
At 1 January 2012	49,845	22,695	(9,514)	75,394	(213,067)	(304)	277,621	202,670	3,394	206,064
Total comprehensive expense for the period										
Loss for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	(5,684)	(5,684)	(14)	(5,698)
Other comprehensive income / (expense)										
Foreign currency translation differences	-	-	-	-	-	-	116	116	(106)	10
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	(2,050)	-	(2,050)	-	(2,050)
Net change in fair value of cash flow hedges transferred to the Income Statement	-	-	-	-	-	840	-	840	-	840
Deferred tax arising	-	-	-	-	-	298	-	298	-	298
Defined benefit plan actuarial gains	-	-	-	-	-	-	(9,063)	(9,063)	-	(9,063)
Deferred tax arising	-	-	-	-	-	-	2,084	2,084	-	2,084
Impact of the change in rate of deferred taxation	-	-	-	-	-	-	360	360	-	360
Total other comprehensive expense	-	-	-	-	-	(912)	(6,503)	(7,415)	(106)	(7,521)
Total comprehensive expense for the period	-	-	-	-	-	(912)	(12,187)	(13,099)	(120)	(13,219)
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share based expenses	-	-	-	-	-	-	468	468	-	468
Dividends to equity shareholders	-	-	-	-	-	-	(10,292)	(10,292)	-	(10,292)
Purchase of own shares	-	-	(57)	-	-	-	-	(57)	-	(57)
Total contributions by and distributions to owners	-	-	(57)	-	-	-	(9,824)	(9,881)	-	(9,881)
Changes in Ownership Interests in subsidiaries										
Issue of shares	-	-	-	-	-	-	-	-	610	610
Total transactions with Owners of the Company	-	-	(57)	-	-	(912)	(22,011)	(22,980)	490	(22,490)
At 31 December 2012	49,845	22,695	(9,571)	75,394	(213,067)	(1,216)	255,610	179,690	3,884	183,574

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 2013 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 30 August 2013.

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 2012.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013:

Amendments to IAS 19 – *"Employee Benefits (2011)";*

Amendments to IAS 1 – *"Presentation of Items of Other Comprehensive Income";*

Amendments to IFRS 13 – *"Fair Value Measurement";*

Amendments to IFRS 7 – *"Financial Instruments: Disclosures - Offsetting Financial Assets and Liabilities";*

Amendments to IAS 32 – *"Financial Instruments: Disclosures - Offsetting Financial Assets and Liabilities";* and

Annual improvements to IFRSs – *"2009-2011 Cycle."*

The impact of IAS 19 –*"Employee Benefits (2011)"* is described below. The implementation of the other standards has only had a presentational impact.

The Group adopted IAS 19, *"Employee Benefits (2011)"*, on 1 January 2013 and changed its basis for deferring its income or expense relating to defined benefit plans. As a result of the change the Group now determines the net interest income on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset at the beginning of the annual period. The comparative figures have been restated accordingly. As the discount rate and the rate of return on assets at 31 December 2011 were equal there has been no impact on the net interest income once restated. In addition, the comparative figures for the financial year ending 31 December 2012 and the half year ending 30 June 2012 have also been restated in respect of discontinued operations.

IFRS 13 – *"Fair Value Measurement*," establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 – *"Financial Instruments: Disclosures."* Some of these disclosures are specifically required in half-yearly financial statements for financial instruments; accordingly, the Group has included additional disclosures in this regard (see Note 13).

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

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

1. Basis of preparation (continued)

The comparatives 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 2012.

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 on 16 August 2013. Management believe that there are sufficient unutilised facilities held which mature after twelve months. The Group's performance is dependent on economic and market conditions, the outlook for which is difficult to predict. The Group took decisive action in 2012 to align its operational capacity with expected market conditions. Markets remain uncertain but, 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. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Consolidated Half-yearly Financial Statements.

2. Segmental analysis

	Revenue			Operating profit (2012 before operational restructuring costs and asset impairments)			Operating profit / (loss)		
	Half year ended June		Year ended December	Half year ended June		Year ended December	Half year ended June		Year ended December
	2013	2012*	2012*	**2013**	2012*	2012*	**2013**	2012*	2012*
	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**	£'000	£'000
Continuing operations	**156,520**	163,107	300,938	**9,760**	8,820	12,851	**9,760**	(9,630)	(8,670)
Financial income and expenses (net)				**(1,732)**	(1,822)	(3,578)	**(1,732)**	(1,822)	(3,578)
Profit / (loss) before tax				**8,028**	6,998	9,273	**8,028**	(11,452)	(12,248)

Geographical destination of revenue:

	Half year ended June		Year ended December
	2013	2012*	2012*
	£'000	£'000	£'000
United Kingdom	**148,263**	155,755	287,487
Rest of the world	**8,257**	7,352	13,451
	156,520	163,107	300,938

* The comparatives have been restated in respect of discontinued operations (Note 7).

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.

On the basis of the strategy, structure and nature of the business and having considered the specific requirements of IFRS 8, the Directors have concluded that the Group has one operating segment. The Group's International operations do not meet the definition of a reportable segment under IFRS 8.

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

3. Net operating costs

	Half year ended June **2013** **£'000**	Half year ended June 2012* £'000	Year ended December 2012* £'000
Raw materials and consumables	**58,417**	56,146	100,589
Changes in inventories of finished goods and work in progress	**73**	(885)	6,598
Personnel costs	**38,191**	43,715	81,899
Depreciation - owned	**6,790**	7,570	13,883
- leased	**48**	52	79
Amortisation of intangible assets	**350**	593	1,247
Own work capitalised	**(663)**	(499)	(1,272)
Other operating costs	**44,308**	49,600	89,298
International "start-up" costs	**84**	-	499
Operating costs	**147,598**	156,292	292,820
Other operating income	**(933)**	(1,445)	(2,167)
Net (loss) / gain on asset and property disposals	**49**	(563)	(1,944)
Gain on property exchange	**-**	-	(594)
Share of results of associates	**46**	3	(28)
Net operating costs before operational restructuring costs and asset impairments	**146,760**	154,287	288,087
Operational restructuring costs and asset impairments (Note 4)	**-**	18,450	21,521
Net operating costs	**146,760**	172,737	309,608

*The comparatives have been restated in respect of discontinued operations (Note 7).

4. Operational restructuring costs and asset impairments

	Half year ended June **2013** **£'000**	Half year ended June 2012 £'000	Year ended December 2012 £'000
Operational restructuring costs	**-**	6,566	10,226
Asset impairments	**-**	11,884	11,295
Net operating costs	**-**	18,450	21,521

The Board determined in 2012 that certain charges to the Condensed Consolidated Half-yearly Income Statement should be separately identified for better understanding of the Group's results. These are disclosed as comparatives for the Half Year ended 30 June 2013.

Operational restructuring costs in 2012 reflected the implementation of a wide range of contingency measures aimed at reducing costs, reducing inventories and conserving cash. These initiatives included works closure costs which reflected the need for capacity reductions. Operational restructuring costs included redundancy costs of £nil (30 June 2012: £3,602,000; 31 December 2012: £6,205,000).

Asset impairments included the write down of plant and machinery and other assets together with the impairment of certain intangible assets and other items of plant that were temporarily mothballed.

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

5. Financial expenses and income

	Half year ended June 2013 £'000	Half year ended June 2012* £'000	Year ended December 2012* £'000
(a) Financial expenses			
Interest expense on bank loans, overdrafts and loan notes	**1,982**	2,170	4,279
Finance lease interest expense	**6**	6	12
	1,988	2,176	4,291
(b) Financial income			
Expected return on the defined benefit Pension Scheme	**255**	351	709
Interest receivable and similar income	**1**	3	4
	256	354	713

* The comparatives have been restated in respect of the revisions to IAS 19, *"Employee Benefits (2011)"*, as described in Note 1. As the discount rate and the rate of return on assets at 31 December 2011 were equal there has been no impact on the net interest income once restated. A restated balance sheet has not been provided given there is no impact on the balance sheet.

6. Income tax expense

	Half year ended June 2013 £'000	Half year ended June 2012: Before operational restructuring costs and asset impairments* £'000	Half year ended June 2012: Operational restructuring costs and asset impairments £'000	Half year ended June 2012: Total* £'000	Year ended December 2012: Before operational restructuring costs and asset impairments* £'000	Year ended December 2012: Operational restructuring costs and asset impairments £'000	Year ended December 2012: Total* £'000
Current tax expense							
Current year	**1,516**	1,199	(2,400)	(1,201)	1,293	(2,596)	(1,303)
Adjustments for prior years	**(962)**	(800)	-	(800)	(2,148)	-	(2,148)
	554	399	(2,400)	(2,001)	(855)	(2,596)	(3,451)
Deferred taxation expense							
Origination and reversal of temporary differences:							
Current year	**285**	(305)	(1,488)	(1,793)	(736)	(1,771)	(2,507)
Adjustments for prior years	**21**	244	-	244	84	-	84
Income tax expense / (credit) in the Consolidated Income Statement (continuing operations)	**860**	338	(3,888)	(3,550)	(1,507)	(4,367)	(5,874)
Tax on discontinued operations (excluding profit on sale)	**110**	230	-	230	402	-	402
Total tax expense / (credit)	**970**	568	(3,888)	(3,320)	(1,105)	(4,367)	(5,472)

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

6. Income tax expense (continued)

	%	Half year ended June 2013 £'000	Half year ended June 2012 Before operational restructuring costs and asset impairments* £'000	Half year ended June 2012 Operational restructuring costs and asset impairments £'000	Half year ended June 2012 Total* £'000	Year ended December 2012 Before operational restructuring costs and asset impairments* £'000	Year ended December 2012 Operational restructuring costs and asset impairments £'000	Year ended December 2012 Total* £'000
Reconciliation of effective tax rate								
Profit / (loss) before tax:								
Continuing operations	**100.0**	**8,028**	6,998	(18,450)	(11,452)	9,273	(21,521)	(12,248)
Tax using domestic corporation tax rate	**23.5**	**1,887**	1,750	(4,613)	(2,863)	2,272	(5,273)	(3,001)
Disallowed amortisation of intangible assets	**1.7**	**141**	32	-	32	63	-	63
Net income / (expenditure) not taxable	**(2.8)**	**(227)**	(79)	725	646	240	906	1,146
Adjustments for prior years	**(11.7)**	**(941)**	(356)	-	(356)	(2,064)	-	(2,064)
Impact of the change in the rate of corporation tax on deferred taxation	**-**	**-**	(1,009)	-	(1,009)	(2,018)	-	(2,018)
	10.7	**860**	338	(3,888)	(3,550)	(1,507)	(4,367)	(5,874)

* The comparatives have been restated in respect of discontinued operations (note 7)

There will be an additional deferred tax credit in the second half as reductions in the rate of corporation tax to 21 per cent by April 2014 and 20 per cent by April 2015 were substantially enacted, following the receipt of Royal Assent, in July 2013.

7. Discontinued operations

On 30 April 2013 the Group completed the sale of aggregate quarries to Breedon Aggregates England Limited for cash consideration of £17.5 million. The final consideration will be up to £19.0 million dependent on certain conditions being satisfied. The assets sold comprised quarries solely supplying aggregates, sand and gravel. The Group has retained all of its dimensional stone quarries, some of which produce aggregate as an ancillary product. The disposed quarries were the freehold and leasehold quarries at Clearwell, near Lydney, Gloucestershire, which produces primarily high quality limestone aggregates and the Group's sand and gravel quarries located at Dunsville, near Hatfield, South Yorkshire, Astley Moss in Greater Manchester and Mold in North Wales which operates under the Lloyds Sand and Gravel trading name and the business carried on from these quarries. Also included was an option to develop sand and gravel resources near Saredon, Staffordshire.

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 2013 £'000	Half year ended June 2012 £'000	Year ended December 2012 £'000
Revenue	**2,989**	4,354	8,755
Net operating costs	**(2,648)**	(3,724)	(7,677)
Profit before tax	**341**	630	1,078
Income tax charge	**(110)**	(230)	(402)
Profit after tax	**231**	400	676
Profit on disposal and closure of discontinued operations	**166**	-	-
Net profit attributable to discontinued operations	**397**	400	676
Basic earnings per share (pence)	**0.20**	0.20	0.35
Diluted earnings per share (pence)	**0.20**	0.20	0.35

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

7. Discontinued operations (continued)

Effect of disposal on the financial position of the Group

	Half year ended June 2013 £'000
Property, plant and equipment	**12,774**
Inventories	**1,734**
Other net current assets	**637**
Assets disposed of	**15,145**
Consideration received, satisfied in cash	**17,500**
Attributable costs and professional fees	**(2,189)**
Net consideration received	**15,311**
Profit on disposal	**166**

During the half year ended 30 June 2013 these aggregate businesses contributed an inflow of £422,000 to the Group's net operating cash flows (half year ended June 2012: £1,202,000, December 2012: £2,034,000), paid £nil in respect of investing activities (half year ended June 2012: paid £237,000, December 2012: paid £260,000), and paid £nil in respect of financing activities (half year ended June 2012: £nil, December 2012: £nil).

A post tax profit of £166,000 arose on the disposal of the aggregates businesses, being the net proceeds of disposal less the carrying amount of the relevant net assets.

Basic earnings per share from discontinued operations of 0.20 pence (30 June 2012: 0.20 pence, 31 December 2011: 0.35 pence) per share is calculated by dividing the profit attributable to ordinary shareholders from discontinued operations of £397,000 (30 June 2012: £400,000, 31 December 2012: £676,000) by the weighted average number of shares in issue during the period of 195,620,371 (30 June 2012: 195,421,396; 31 December 2012: 195,464,528).

Diluted earnings per share from discontinued operations of 0.20 pence (30 June 2012: 0.20 pence, 31 December 2012: 0.34 pence) per share is calculated by dividing the profit attributable to ordinary shareholders and potentially dilutive ordinary shares from discontinued operations of £397,000 (30 June 2012: £400,000, 31 December 2012: £676,000) by the weighted average number of shares in issue during the period of 195,620,371 (30 June 2012: 195,421,396, 31 December 2012: 195,464,528) plus potentially dilutive ordinary shares of 3,758,384 (30 June 2012: 3,957,359, 31 December 2012: 3,914,227) which totals 199,378,755 (30 June 2012: 199,378,755, 31 December 2012: 199,378,755).

On 23 August 2013 additional consideration of £1.0 million was received, following the satisfactory completion of a post completion condition. The condition had required the commissioning of a sand extraction plant to the satisfaction of the purchaser. The additional consideration, net of attributable costs, has given rise to an increase in the post tax profit of discontinued operations of £0.7 million and this will be recognised in the second half.

8. Earnings per share

Basic earnings per share from total operations of 4.00 pence (30 June 2012: 3.82 pence loss; 31 December 2012: 2.91 pence loss) per share is calculated by dividing the profit attributable to ordinary shareholders from total operations and after adjusting for non-controlling interests of £7,818,000 (30 June 2012: £7,459,000 loss; 31 December 2012: £5,684,000 loss) by the weighted average number of shares in issue during the period of 195,620,371 (30 June 2012: 195,421,396; 31 December 2012: 195,464,528).

Basic earnings per share from total operations before operational restructuring costs and asset impairments of 4.00 pence (30 June 2012: 3.63 pence; 31 December 2012: 5.87 pence) per share is calculated by dividing the profit from total operations before operational restructuring costs and asset impairments and after adjusting for non-controlling interests of £7,818,000 (30 June 2012: £7,103,000; 31 December 2012: £11,470,000) by the weighted average number of shares in issue during the period of 195,620,371 (30 June 2012: 195,421,396; 31 December 2012: 195,464,528).

Basic earnings per share from continuing operations of 3.80 pence (30 June 2012: 4.02 pence loss; 31 December 2012: 3.26 pence loss) per share is calculated by dividing the profit from continuing operations and after adjusting for non-controlling interests of £7,421,000 (30 June 2012: £7,859,000 loss; 31 December 2012: £6,360,000 loss) by the weighted average number of shares in issue during the year of 195,620,371 (30 June 2012: 195,421,396; 31 December 2012: 195,464,528).

Basic earnings per share from continuing operations before operational restructuring costs and asset impairments of 3.80 pence (30 June 2012: 3.43 pence; 31 December 2012: 5.52 pence) per share is calculated by dividing the profit from continuing operations before operational restructuring costs and asset impairments and after adjusting for non-controlling interests of £7,421,000 (30 June 2012: £6,703,000; 31 December 2012: £10,794,000) by the weighted average number of shares in issue during the period of 195,620,371 (30 June 2012: 195,421,396; 31 December 2012: 195,464,528).

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

8. Earnings per share (continued)

Profit attributable to ordinary shareholders	Half year ended June **2013** **£'000**	2012 £'000	Year ended December 2012 £'000
Profit from continuing operations before operational restructuring costs and asset impairments	**7,168**	6,660	10,780
Operational restructuring costs and asset impairments	**-**	(14,562)	(17,154)
Profit / (loss) from continuing operations	**7,168**	(7,902)	(6,374)
Profit from discontinued operations	**397**	400	676
(Profit / (loss) for the financial period	**7,565**	(7,502)	(5,698)
Loss attributable to non-controlling interests	**253**	43	14
Profit / (loss) attributable to ordinary shareholders	**7,818**	(7,459)	(5,684)

Weighted average number of ordinary shares	Half year ended June **2013** **Number**	2012 Number	Year ended December 2012 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	**(1,333,384)**	(1,532,359)	(1,489,227)
Effect of treasury shares acquired	**(2,425,000)**	(2,425,000)	(2,425,000)
Weighted average number of ordinary shares at the end the period	**195,620,371**	195,421,396	195,464,528

Diluted earnings per share from total operations of 3.92 pence per share is calculated by dividing the profit from total operations, after adjusting for non-controlling interests, of £7,818,000 by the weighted average number of shares in issue during the period of 195,620,371 plus potentially dilutive shares of 3,758,384 which totals 199,378,755.

For total operations at 30 June 2012 and 31 December 2012 the potential ordinary shares set out below are considered to be anti-dilutive to the total earnings per share calculation.

Diluted earnings per share from total operations before operational restructuring costs and asset impairments of 3.92 pence (30 June 2012: 3.56 pence; 31 December 2012: 5.75 pence) per share is calculated by dividing the profit from total operations before operational restructuring costs and asset impairments and after adjusting for non-controlling interests of £7,818,000 (30 June 2012: £7,103,000; 31 December 2012: £11,470,000) by the weighted average number of shares in issue during the period of 195,620,371 (30 June 2012: 195,421,396; 31 December 2012: 195,464,528) plus potentially dilutive shares of 3,758,384 (30 June 2012: 3,957,359; 31 December 2012: 3,914,227) which totals 199,378,755 (30 June 2012: 199,378,755; 31 December 2012: 199,378,755).

Diluted earnings per share from continuing operations before operational restructuring costs and asset impairments of 3.72 pence (30 June 2012: 3.36 pence; 31 December 2012: 5.41 pence) per share is calculated by dividing the profit from continuing operations before operational restructuring costs and asset impairments and after adjusting for non-controlling interests of £7,421,000 (30 June 2012: £6,703,000; 31 December 2012: £10,794,000) by the weighted average number of shares in issue during the period of 195,620,371 (30 June 2012: 195,421,396; 31 December 2012: 195,464,528) plus potentially dilutive shares of 3,758,384 (30 June 2012: 3,957,359; 31 December 2012: 3,914,227) which totals 199,378,755 (30 June 2012: 199,378,755; 31 December 2012: 199,378,755).

Diluted earnings per share from continuing operations of 3.72 pence per share is calculated by dividing the profit from continuing operations, after adjusting for non-controlling interests, of £7,420,000 by the weighted average number of shares in issue during the period of 195,620,371 plus potentially dilutive shares of 3,758,384 which totals 199,378,755.

For continuing operations at 30 June 2012 and 31 December 2012 the potential ordinary shares set out below are considered to be anti-dilutive to the continuing earnings per share calculation.

Weighted average number of ordinary shares (diluted)	Half year ended June **2013** **Number**	2012 Number	Year ended December 2012 Number
Weighted average number of ordinary shares	**195,620,371**	195,421,396	195,464,528
Effect of shares transferred into employee benefit trust	**1,333,384**	1,532,359	1,489,227
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

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

9. 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 **2013** **£'000**	2012 £'000	Year ended December 2012 £'000
2013 interim	1.75	**3,431**	-	-
2012 final	3.50	**-**	-	6,861
2012 interim	1.75	**-**	3,431	3,431
		3,431	3,431	10,292

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

	Pence per qualifying share	Half year ended June **2013** **£'000**	2012 £'000	Year ended December 2012 £'000
2012 final	3.50	**6,861**	-	-
2012 interim	1.75	**-**	-	3,431
2011 final	3.50	**-**	6,861	6,861
		6,861	6,861	10,292

The 2012 final dividend of 3.50 pence per qualifying ordinary share, total value £6,861,344, was paid on 5 July 2013 to shareholders registered at the close of business on 7 June 2013.

10. 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 **2013** **£'000**	2012 £'000	December 2012 £'000
Present value of funded obligations	**(247,104)**	(247,513)	(246,573)
Fair value of Scheme assets	**257,006**	249,600	254,785
Net surplus in the Scheme for defined benefit obligations (see below)	**9,902**	2,087	8,212
Experience adjustments on Scheme liabilities	**801**	(8,454)	(6,802)
Experience adjustments on Scheme assets	**(4,666)**	(6,076)	(2,261)

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

	Half year ended June **2013** **£'000**	2012 £'000	Year ended December 2012 £'000
Net surplus for defined benefit obligations at beginning of the period	**8,212**	12,966	12,966
Contributions received	**5,300**	3,300	3,600
Income recognised in the Consolidated Income Statement	**255**	351	709
Actuarial deficit recognised in the Consolidated Statement of Comprehensive Income	**(3,865)**	(14,530)	(9,063)
Net surplus in the Scheme for the defined benefit obligations at period end	**9,902**	2,087	8,212

The actuarial loss of £3,865,000 in the half year ended 30 June 2013 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 4.7 per cent, at 31 December 2012, to 4.9 per cent at June 2013 per cent and the increase in the inflation assumption.

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

10. Employee benefits (continued)

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

	June **2013**	June 2012	December 2012
Discount rate (AA corporate bond rate)	**4.9%**	4.6%	4.7%
Inflation (RPI)	**3.4%**	2.8%	2.9%
Inflation (CPI)	**2.4%**	1.8%	1.9%
Future pension increases	**2.4%**	1.8%	1.9%
Expected return on Scheme assets	**4.9%**	4.8%	4.7%
Future expected lifetime of pensioner at age 65 (years):			
Male:	**21.9**	21.8	21.8
Female:	**24.0**	23.9	23.9

11. Analysis of net debt

	1 January 2013 £'000	Cash flow £'000	Exchange differences £'000	**30 June 2013 £'000**
Cash at bank and in hand	11,101	(1,683)	26	**9,444**
Debt due after one year	(74,325)	12,719	(544)	**(62,150)**
Finance leases	(319)	39	-	**(280)**
	(63,543)	11,075	(518)	**(52,986)**

Reconciliation of Net Cash Flow to Movement in Net Debt

	Half year ended June **2013** **£'000**	Half year ended June 2012 £'000	Year ended December 2012 £'000
Net (decrease) / increase in cash and cash equivalents	**(1,683)**	(5,323)	5,114
Cash inflow / (outflow) from decrease / (increase) in debt and lease financing	**12,758**	(1,585)	8,247
Effect of exchange rate fluctuations	**(518)**	257	197
Movement in net debt in the period	**10,557**	(6,651)	13,558
Net debt at beginning of the period	**(63,543)**	(77,101)	(77,101)
Net debt at the end of the period	**(52,986)**	(83,752)	(63,543)

12. Borrowing facilities

The total borrowing facilities at 30 June 2013 amounted to £190.0 million (30 June 2012: £190.0 million; 31 December 2012: £170.0 million) of which £127.9 million (30 June 2012: £105.7 million; 31 December 2012: £95.7 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.

12. Borrowing facilities (continued)

The undrawn facilities available at 30 June 2013 in respect of which all conditions precedent had been met were as follows:

		June	December
	2013	2012	2012
	£'000	£'000	£'000
Committed			
- Expiring in more than two years but not more than five years	**82,850**	60,693	70,675
Uncommitted			
- Expiring in one year or less	**45,000**	45,000	25,000
	127,850	105,963	95,675

In March 2012 existing bank debt facilities, which were to mature in December 2012 and January 2013 and totalling £75.0 million in aggregate, were refinanced with extended maturity dates to 2015 and 2016.

The total borrowing facilities at 30 August 2013 amounted to £165.0 million. This was due to the cancellation at no cost, by the Group on 19 July 2013, of a £25 million loan facility that was due to mature in August 2015.

The maturity profile of borrowing facilities is structured to provide balanced, committed and phased medium term debt. Following the recent cancellation of the £25 million loan facility and the renewal of certain other bank facilities on 16 August 2013 the committed facilities are set out as follows:

	Facility £'000	Cumulative Facility £'000
Committed facilities:		
Q3: 2016	50,000	50,000
Q3: 2015	50,000	100,000
Q3: 2014	20,000	120,000
On demand facilities:		
Available all year	25,000	145,000
Seasonal (February to August inclusive)	20,000	165,000

13. 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 2013 are shown below:

	June 2013		December 2012	
	Book amount £'000	**Fair value £'000**	Book amount £'000	Fair value £'000
Trade and other receivables	**50,818**	**50,818**	30,218	30,218
Cash and cash equivalents	**9,444**	**9,444**	11,101	11,101
Bank loans	**(62,150)**	**(62,788)**	(74,325)	(74,271)
Finance lease liabilities	**(280)**	**(280)**	(319)	(319)
Trade and other payables	**(73,381)**	**(73,381)**	(59,889)	(59,889)
Interest rate swaps, forward contracts and fuel hedges	**(840)**	**(840)**	(1,624)	(1,624)
Financial (liabilities) / assets	**(76,389)**		(94,838)	
Other assets / (liabilities) – net	**259,077**		278,412	
	182,688		183,574	

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

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.

(b) Interest-bearing loans and borrowings

Fair value is calculated based on the expected future principal and interest cash flows discounted at the relevant rate.

(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 one 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 2013				
Derivative financial liabilities	-	**840**	-	**840**
31 December 2012				
Derivative financial liabilities	-	1,624	-	1,624

14. Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the current financial year are those detailed on pages 24 to 27 of the 2012 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 2013 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 2013 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 2013 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 28 and 29 of the 2012 Annual Report.

By order of the Board
Cathy Baxandall
Company Secretary
30 August 2013

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 six months ended 30 June 2013 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 Conduct Authority ("the UK FCA"). 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 FCA.

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 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 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Chris Hearld
for and on behalf of KPMG Audit Plc
Chartered Accountants
1 The Embankment
Neville Street
Leeds LS1 4DW
30 August 2013

Shareholder Information

Financial calendar

Half-yearly results for the year ending December 2013	Announced	30 August 2013
Half-yearly dividend for the year ending December 2013	Payable	6 December 2013
Results for the year ending December 2013	Announcement	Early March 2014
Report and accounts for the year ending December 2013		April 2014
Annual General Meeting		May 2014
Final dividend for the year ending December 2013	Payable	July 2014

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, 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 on the Group, its products and provides details of significant Group announcements. The address is www.marshalls.co.uk.

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