

HALF-YEARLY REPORT 2014

Marshalls

Financial Highlights

	Half year ended 30 June 2014	Half year ended 30 June 2013	Increase %
Continuing operations:			
Revenue	£180.0m	£156.5m	15
Operating profit	£15.6m	£9.8m	60
Profit before tax	£14.0m	£8.0m	75
Basic EPS	6.11p	3.80p	61
Interim dividend per share	2.00p	1.75p	14
Net debt	£50.9m	£53.0m	
Reported results:			
Profit before tax	£14.0m	£8.5m	
Basic EPS	6.11p	4.00p	

Highlights:

- Revenue up 15% to £180.0 million (2013: £156.5 million)
- Improvement in operating margins to 8.7%
- Profit before tax up 75% to £14.0 million (2013: £8.0 million)
- EPS on continuing operations up 61% to 6.11p (2013: 3.80p)
- Interim dividend increased by 14% to 2.00 pence (2013: 1.75 pence) per share

Current priorities:

- To increase output to meet growing demand and to deliver benefits from operational gearing
- To further strengthen the Marshalls brand focusing on innovation, service and new product development
- To continue to develop and invest in our strategic growth initiatives
- To develop and grow the International business profitably

Interim Management Report

Group Results

Marshalls' revenue from continuing operations for the six months ended 30 June 2014 grew by 15 per cent to £180.0 million (2013: £156.5 million). Trading conditions continue to be positive and the Group has been experiencing strong order intake and sales growth in all its major end markets. If these positive market conditions continue through the second half, which will be measured against the stronger comparables in the second half of 2013, it is likely that the full year revenue and profit before taxation will be above our original expectations.

Sales to the Public Sector and Commercial end market, which represent approximately 62 per cent of Marshalls' sales, were up 19 per cent, on a continuing basis. Sales to the Domestic end market, which represent approximately 32 per cent of Group sales, were up 4 per cent compared with the prior year period. Sales in the International business have increased by 42 per cent in the six months ended 30 June 2014 and are now 6 per cent of Group sales.

Operating profit from continuing operations was £15.6 million (2013: £9.8 million). EBITDA from continuing operations was £22.2 million (2013: £17.0 million).

Net financial expenses were £1.6 million (2013: £1.8 million) and interest was strongly covered 9.9 times (2013: 5.6 times). The effective tax rate, from continuing operations, was 17.0 per cent (2013: 10.7 per cent).

Basic EPS from continuing operations was 6.11 pence (2013: 3.80 pence) per share. EPS from total operations was 6.11 pence (2013: 4.00 pence) per share. The interim dividend will be 2.00 pence (2013: 1.75 pence) per share, an increase of 14 per cent.

Operating Performance

In recent years Marshalls' focus has been to reduce its cost base and debt, to match inventory to demand and to create operational flexibility. By retaining operational flexibility through this period the Group has been able to increase manufacturing output as the market has recovered and deliver benefits from operational gearing. Volume growth in the six months ended 30 June 2014 has driven a strong improvement in operating margins to 8.7 per cent compared with 6.3 per cent in the first half of 2013. Volume growth has been particularly strong in the Public Sector and Commercial end market where the revenue increase attributable to volume and mix has been 16 per cent. This is ahead of the Construction Products Association's market forecasts.

The Group continues to focus on the development of the Marshalls brand. Particular emphasis is being directed towards value added products and on improving product availability, in order to generate further improvement in operating margins. The Group's Landscape Products business is now a reportable segment servicing the UK Public Sector and Commercial and UK Domestic end markets.

In the Public Sector and Commercial end market Marshalls' strategy is 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. Commercial work from rail, water management and new house building continues to increase and the Group is outperforming the market in these areas. The rail sector includes Crossrail, which is the largest construction project in Europe.

In the Domestic end market the Group's 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 objective is to continually develop the Marshalls' brand, to improve the product mix, to ensure a consistently high standard of quality and good geographical coverage. The Group remains committed to increasing the marketing support to 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 further strengthen and differentiate the Marshalls' brand.

Historically, there has been a good correlation between consumer confidence and installer order books. The survey of domestic installers at the end of June 2014 revealed continuing strong order books of 11.5 weeks (2013: 10.2 weeks) and compares with 11.5 weeks at the end of April 2014. This is the highest recorded order book at this time of year.

The revenue and operating profit in the non-Landscape Products businesses increased by £8.3 million and £1.1 million respectively on a reported basis. These businesses include the Group's International operations and also the smaller UK businesses which include Street Furniture, Mineral Products and Stone Cladding. There has been a significant performance improvement in these smaller UK businesses in the first half of 2014 with two of the three businesses returning to profit and delivering volume growth in revenue of £4.1 million and profit growth of £1.7 million. Stone Cladding, which is a relatively new area of focus for the Group, is a particular growth area and Marshalls is supplying stone for a new prestigious office building in the City of London.

Interim Management Report (continued)

Continued progress is being made in developing the International business and activity levels are encouraging. Sales from our operations in Belgium increased by 49 per cent, in local currency, in the six months ended 30 June 2014 despite a market background in mainland Europe that continues to be subdued. Marshalls continues to invest in additional sales personnel and marketing to drive these sales with the Belgium business providing a physical stock location from which to supply the Group's specialist product portfolio. Marshalls continues to expand its geographical reach and to extend its global supply chains and routes to market. Early sales through the Group's new US subsidiary have been very encouraging and the objective will be to grow further the distribution of natural stone products into the North American market.

Balance Sheet and Cash Flow

Net assets at 30 June 2014 were £177.0 million (June 2013: £182.7 million).

At 30 June 2014 net debt was £50.9 million (June 2013: £53.0 million) with gearing at 28.8 per cent (June 2013: 29.0 per cent). Cash management continues to be a high priority area and the Group continues to focus on inventory and capital expenditure management, credit control and the maintenance of credit insurance for trade receivables.

In August 2014, following the continued steady reduction in net debt, the Group cancelled bank facilities amounting to £20 million in order to re-align the unused headroom against available facilities. Marshalls continues its policy of having significant committed facilities in place with a positive spread of medium term maturities. In July 2014, the Group renewed its short term working capital facilities with RBS.

The balance sheet value of the defined benefit Pension Scheme was almost neutral with a deficit of £0.1 million at 30 June 2014 (December 2013: £4.3 million deficit; June 2013: £9.9 million surplus). The amount has been determined by the Scheme Actuary using assumptions that are considered to be prudent and in line with current market levels. The assumptions that have changed in the last six months are a reduction in the AA corporate bond rate from 4.6 per cent to 4.4 per cent, in line with market movements, and a reduction in the expected rate of inflation from 3.4 per cent to 3.3 per cent.

Dividend

The dividend policy is that as earnings rise the increase will be shared between strengthening dividend cover and progressively raising the dividend. The Board has declared an interim dividend of 2.00 pence (June 2013: 1.75 pence) per share, an increase of 14 per cent. This dividend will be paid on 5 December 2014 to shareholders on the register at the close of business on 24 October 2014. The ex-dividend date will be 23 October 2014.

Board

As previously announced, Jack Clarke will assume the position of Group Finance Director on 1 October 2014. On the same date, Ian Burrell will retire from the Board and he will remain with the business until June 2015 to ensure a smooth and orderly transition.

Outlook

Marshalls has experienced strong growth in the first half of the year and forward indicators continue to be positive in all major end markets. Volume growth has outperformed the market and is delivering benefits from operational gearing and operating margins have improved strongly.

Marshalls remains focused on product innovation and service delivery initiatives to deliver continued sales growth and further improve trading margins. The medium term objective is for the Group to return to the much higher revenue and profit levels that were achieved by Marshalls before the recession.

Martyn Coffey
Chief Executive

Condensed Consolidated Half-yearly Income Statement

for the half year ended 30 June 2014

	Notes	Half year ended June 2014 £'000	Half year ended June 2013 £'000	Year ended December 2013 £'000
Revenue	2	**179,955**	156,520	307,390
Net operating costs	3	**(164,341)**	(146,760)	(291,300)
Operating profit	2	**15,614**	9,760	16,090
Financial expenses	4	**(1,587)**	(1,988)	(3,649)
Financial income	4	**2**	256	585
Profit before tax	2	**14,029**	8,028	13,026
Income tax expense	5	**(2,385)**	(860)	(67)
Profit for the financial period before post tax profit of discontinued operations		**11,644**	7,168	12,959
Post tax profit of discontinued operations		**-**	397	503
Profit for the financial period		**11,644**	7,565	13,462
Profit for the period				
Attributable to:				
Equity shareholders of the parent		**11,975**	7,818	14,096
Non-controlling interests		**(331)**	(253)	(634)
		11,644	7,565	13,462
Earnings per share (total operations):				
Basic	6	**6.11p**	4.00p	7.20p
Diluted	6	**6.00p**	3.92p	7.07p
Earnings per share (continuing operations):				
Basic	6	**6.11p**	3.80p	6.94p
Diluted	6	**6.00p**	3.72p	6.82p
Dividend:				
Pence per share	7	**3.50p**	3.50p	5.25p
Dividends declared	7	**6,867**	6,861	10,292

Condensed Consolidated Half-yearly Statement of Comprehensive Income

for the half year ended 30 June 2014

	Half year ended June 2014 £'000	Half year ended June 2013 £'000	Year ended December 2013 £'000
Profit for the financial period	**11,644**	7,565	13,462
Other comprehensive income			
Items that will not be reclassified to the Income Statement:			
Remeasurements of the net defined benefit liability	**8**	(3,865)	(18,735)
Deferred tax arising	**(2)**	889	3,747
Deferred tax on share-based payments	**291**	-	176
Corporation tax on share-based payments	**166**	-	-
Total items that will not be reclassified to the Income Statement:	**463**	(2,976)	(14,812)
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	**712**	1,518	2,787
Fair value of cash flow hedges transferred to the Income Statement	**(482)**	(734)	(1,447)
Deferred tax arising	**(45)**	(180)	(286)
Impact of the change in rate of deferred taxation	**-**	-	275
Foreign currency translation differences – foreign operations	**(14)**	232	(51)
Foreign currency translation differences - non-controlling interests	**(144)**	65	45
Total items that are or may be reclassified subsequently to the Income Statement:	**27**	901	1,323
Other comprehensive income / (expense) for period, net of income tax	**490**	(2,075)	(13,489)
Total comprehensive income / (expense) for the period	**12,134**	5,490	(27)
Attributable to:			
Equity shareholders of the parent	**12,609**	5,678	562
Non-controlling interests	**(475)**	(188)	(589)
	12,134	5,490	(27)

Condensed Consolidated Half-yearly Balance Sheet

as at 30 June 2014

	Notes	June 2014 £'000	June 2013 £'000	December 2013 £'000
Assets				
Non-current assets				
Property, plant and equipment		**150,150**	158,611	154,721
Intangible assets		**40,850**	41,299	41,071
Investments in associates		**666**	603	664
Employee benefits		**-**	9,902	-
Deferred taxation assets		**1,698**	-	1,626
		193,364	210,415	198,082
Current assets				
Inventories		**71,588**	71,818	70,807
Trade and other receivables		**59,601**	50,818	32,373
Cash and cash equivalents		**3,789**	9,444	17,652
		134,978	132,080	120,832
Total assets		**328,342**	342,495	318,914
Liabilities				
Current liabilities				
Trade and other payables		**76,362**	74,221	65,882
Corporation tax		**4,149**	3,504	4,802
Interest bearing loans and borrowings		**5,244**	48	3,453
		85,755	77,773	74,137
Non-current liabilities				
Interest bearing loans and borrowings		**49,495**	62,382	49,768
Employee benefits	8	**90**	-	4,347
Deferred taxation liabilities		**15,990**	19,652	15,230
		65,575	82,034	69,345
Total liabilities		**151,330**	159,807	143,482
Net assets		**177,012**	182,688	175,432
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		**(6,689)**	(9,512)	(9,512)
Capital redemption reserve		**75,394**	75,394	75,394
Consolidation reserve		**(213,067)**	(213,067)	(213,067)
Hedging reserve		**23**	(612)	(162)
Retained earnings		**245,991**	254,249	246,944
Equity attributable to equity shareholders of the parent		**174,192**	178,992	172,137
Non-controlling interests		**2,820**	3,696	3,295
Total equity		**177,012**	182,688	175,432

Condensed Consolidated Half-yearly Cash Flow Statement

for the half year ended 30 June 2014

	Half year ended June		Year ended December
	2014	2013	2013
Cash flows from operating activities	**£'000**	£'000	£'000
Profit for the financial period	**11,644**	7,565	13,462
Income tax expense on continuing operations	**2,385**	860	67
Profit on disposal and closure of discontinued operations	**-**	(166)	(272)
Income tax charge on discontinued operations	**-**	110	110
Profit before tax on total operations	**14,029**	8,369	13,367
Adjustments for:			
Depreciation	**5,986**	7,044	13,455
Amortisation	**605**	350	938
Share of results of associates	**(3)**	46	(14)
Loss / (gain) on sale of property, plant and equipment	**143**	49	(131)
Equity settled share-based expenses	**579**	485	2,353
Financial income and expenses (net)	**1,585**	1,732	3,064
Operating cash flow before changes in working capital and pension scheme contributions	**22,924**	18,075	33,032
Increase in trade and other receivables	**(27,166)**	(21,467)	(2,933)
(Increase) / decrease in inventories	**(559)**	1,655	2,840
Increase in trade and other payables	**3,506**	6,227	5,146
Operational restructuring costs paid	**-**	(772)	(870)
Pension scheme contributions	**(4,300)**	(5,300)	(5,600)
Cash (absorbed by) / generated from the operations	**(5,595)**	(1,582)	31,615
Financial expenses paid	**(1,536)**	(1,989)	(3,649)
Income tax paid	**(1,940)**	-	(842)
Net cash flow from operating activities	**(9,071)**	(3,571)	27,124
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**2,190**	122	175
Financial income received	**2**	1	9
Proceeds from disposal of discontinued operations	**-**	17,650	16,999
Acquisition of property, plant and equipment	**(3,818)**	(3,432)	(5,462)
Acquisition of intangible assets	**(393)**	(238)	(596)
Net cash flow from operating activities	**(2,019)**	14,103	11,125
Cash flows from financing activities			
Payments to acquire own shares	**(4,266)**	-	-
Net decrease in other debt and finance leases	**(49)**	(39)	(95)
Increase / (decrease) in borrowings	**1,567**	(12,176)	(21,328)
Equity dividends paid	**-**	-	(10,292)
Net cash flow from financing activities	**(2,748)**	(12,215)	(31,715)
Net (decrease) / increase in cash and cash equivalents	**(13,838)**	(1,683)	6,534
Cash and cash equivalents at beginning of the period	**17,652**	11,101	11,101
Effect of exchange rate fluctuations	**(25)**	26	17
Cash and cash equivalents at end of the period	**3,789**	9,444	17,652

Condensed Consolidated Half-yearly Statement of Changes in Equity

for the half year ended 30 June 2014

Attributable to equity holders of the Company

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolid-ation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Current half-year										
At 1 January 2014	**49,845**	**22,695**	**(9,512)**	**75,394**	**(213,067)**	**(162)**	**246,944**	**172,137**	**3,295**	**175,432**
Total comprehensive income / (expense) for the period										
Profit for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	**11,975**	**11,975**	**(331)**	**11,644**
Other comprehensive income / (expense)										
Foreign currency translation differences	-	-	-	-	-	-	**(14)**	**(14)**	**(144)**	**(158)**
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	**712**	-	**712**	-	**712**
Net change in fair value of cash flow hedges transferred to the Income Statement	-	-	-	-	-	**(482)**	-	**(482)**	-	**(482)**
Deferred tax arising	-	-	-	-	-	**(45)**	-	**(45)**	-	**(45)**
Defined benefit plan actuarial losses	-	-	-	-	-	-	**8**	**8**	-	**8**
Deferred tax arising	-	-	-	-	-	-	**(2)**	**(2)**	-	**(2)**
Deferred tax on share-based payments	-	-	-	-	-	-	**291**	**291**	-	**291**
Corporation tax on share-based payments	-	-	-	-	-	-	**166**	**166**	-	**166**
Total other comprehensive income / (expense)	-	-	-	-	-	**185**	**449**	**634**	**(144)**	**490**
Total comprehensive income / (expense) for the period	-	-	-	-	-	**185**	**12,424**	**12,609**	**(475)**	**12,134**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based expenses	-	-	-	-	-	-	**579**	**579**	-	**579**
Dividends to equity shareholders	-	-	-	-	-	-	**(6,867)**	**(6,867)**	-	**(6,867)**
Purchase of own shares	-	-	**(4,266)**	-	-	-	-	**(4,266)**	-	**(4,266)**
Disposal of own shares	-	-	**7,089**	-	-	-	**(7,089)**	-	-	-
Total contributions by and distributions to owners	-	-	**2,823**	-	-	-	**(13,377)**	**(10,554)**	-	**(10,554)**
Total transactions with owners of the Company	-	-	**2,823**	-	-	**185**	**(953)**	**2,055**	**(475)**	**1,580**
At 30 June 2014	**49,845**	**22,695**	**(6,689)**	**75,394**	**(213,067)**	**23**	**245,991**	**174,192**	**2,820**	**177,012**

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

for the half year ended 30 June 2014

	Attributable to equity holders of the Company									
	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolid-ation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Prior 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 / (expense) 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 / (expense)	-	-	-	-	-	604	(2,744)	(2,140)	65	(2,075)
Total comprehensive income / (expense) 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 2014

	Attributable to equity holders of the Company									
	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	Non-controlling interests £'000	Total equity £'000
Prior 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 / (expense) for the period										
Profit for the financial period attributable to equity shareholders of the parent	-	-	-	-	-	-	14,096	14,096	(634)	13,462
Other comprehensive Income / (expense)										
Foreign currency translation differences	-	-	-	-	-	-	(51)	(51)	45	(6)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	2,787	-	2,787	-	2,787
Net change in fair value of cash flow hedges transferred to the Income Statement	-	-	-	-	-	(1,447)	-	(1,447)	-	(1,447)
Deferred tax arising	-	-	-	-	-	(286)	-	(286)	-	(286)
Defined benefit plan actuarial losses	-	-	-	-	-	-	(18,735)	(18,735)	-	(18,735)
Deferred tax arising	-	-	-	-	-	-	3,747	3,747	-	3,747
Deferred tax on share-based payments	-	-	-	-	-	-	176	176	-	176
Impact of the change in rate of deferred taxation	-	-	-	-	-	-	275	275	-	275
Total other comprehensive income / (expense)	-	-	-	-	-	1,054	(14,588)	(13,534)	45	(13,489)
Total comprehensive income / (expense) for the period	-	-	-	-	-	1,054	(492)	562	(589)	(27)
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based expenses	-	-	-	-	-	-	2,177	2,177	-	2,177
Dividend to equity shareholders	-	-	-	-	-	-	(10,292)	(10,292)	-	(10,292)
Disposal of own shares	-	-	59	-	-	-	(59)	-	-	-
Total contributions by and distributions to owners	-	-	59	-	-	-	(8,174)	(8,115)	-	(8,115)
Total transactions with owners of the Company	-	-	59	-	-	1,054	(8,666)	(7,553)	(589)	(8,142)
At 31 December 2013	49,845	22,695	(9,512)	75,394	(213,067)	(162)	246,944	172,137	3,295	175,432

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 2014 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 28 August 2014.

The Condensed Consolidated Financial Statements for the half year ended 30 June 2014 and comparative period have not been audited. The Auditor has carried out a review of the Half-yearly Financial Information and their report is set out on page 25.

The Financial Information for the year ended 31 December 2013 has been extracted from the annual Financial Statements, included in the Annual Report 2013, which has been filed with the Registrar of Companies. The report of the Auditor was (i) unqualified; (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a Statement under section 498 (2) and (3) of the Companies Act 2006.

The annual Financial Statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of Financial Statements has, other than in respect of the matters referred to below, been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's Published Consolidated Financial Statements for the year ended 31 December 2013.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2014:

- IFRS 10 – *"Consolidated Financial Statements"* and IAS 27 – *"Separate Financial Statements",* IFRS 11 – *"Joint Arrangements"* and IAS 28 – *"Investments in Associates and Joint Ventures".* These are part of a new suite of standards on consolidation and related standards, replacing the existing accounting for subsidiaries and joint ventures (now joint arrangements), and making limited amendments in relation to associates;

- IFRS 12 – "*Disclosure of Interests in Other Entities*"; – This contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities.

These standards are not expected to have a material impact on the Consolidated Financial Statements.

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.

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

1. Basis of preparation (continued)

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 2013.

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 10 and are subject to normal covenant arrangements. The Group’s on-demand overdraft facility is reviewed on an annual basis and the current arrangements were renewed and signed on 16 July 2014. 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. 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

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

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

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

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

2. Segmental analysis (continued)

Segment revenues and results

	Half year ended June 2014			Half year ended June 2013			Year ended December 2013		
	Landscape Products £'000	**Other £'000**	**Total £'000**	Landscape Products £'000	Other £'000	Total £'000	Landscape Products £'000	Other £'000	Total £'000
Gross sales	**140,532**	**42,163**	**182,695**	125,371	33,515	158,886	242,392	69,942	312,334
Inter-segment sales	**(100)**	**(2,640)**	**(2,740)**	(70)	(2,296)	(2,366)	(93)	(4,851)	(4,944)
Total revenue	**140,432**	**39,523**	**179,955**	125,301	31,219	156,520	242,299	65,091	307,390
Segment operating profit	**19,735**	**(1,591)**	**18,144**	14,661	(2,714)	11,947	25,542	(4,801)	20,741
Unallocated administration costs			**(2,533)**			(2,141)			(4,665)
Share of profits of associates			**3**			(46)			14
Operating profit			**15,614**			9,760			16,090
Finance charges (net)			**(1,585)**			(1,732)			(3,064)
Profit before tax			**14,029**			8,028			13,026
Taxation			**(2,385)**			(860)			(67)
Profit after tax			**11,644**			7,168			12,959

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

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

Segment assets

		June	December
	2014 £'000	2013 £'000	2013 £'000
Fixed assets and inventory:			
Landscape Products	**160,613**	168,734	163,276
Other	**61,125**	61,695	62,252
Total segment fixed assets and inventory	**221,738**	230,429	225,528
Unallocated assets	**106,604**	112,066	93,386
Consolidated total assets	**328,342**	342,495	318,914

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

2. Segmental analysis (continued)

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

Other segment information

	Depreciation and amortisation			Fixed asset additions		
	Half year ended June		Year ended December	Half year ended June		Year ended December
	2014	2013	2013	**2014**	2013	2013
	£'000	£'000	£'000	**£'000**	£'000	£'000
Landscape Products	**4,924**	5,218	10,484	**2,981**	2,663	3,243
Other	**1,667**	1,970	3,653	**1,230**	1,007	2,815
	6,591	7,188	14,137	**4,211**	3,670	6,058

Geographical destination of revenue

	Half year ended June		Year ended December
	2014	2013	2013
	£'000	£'000	£'000
United Kingdom	**168,228**	148,263	290,855
Rest of the World	**11,727**	8,257	16,535
	179,955	156,520	307,390

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.

3. Net operating costs

	Half year ended June		Year ended December
	2014	2013	2013
	£'000	£'000	£'000
Raw materials and consumables	**66,407**	58,417	117,176
Changes in inventories of finished goods and work in progress	**781**	73	1,470
Personnel costs	**45,778**	38,191	80,549
Depreciation – owned	**5,946**	6,790	13,041
– leased	**40**	48	158
Amortisation of intangible assets	**605**	350	938
Own work capitalised	**(561)**	(663)	(1,071)
Other operating costs	**46,954**	44,308	80,425
International "start-up" costs	**-**	84	84
Operating costs	**165,950**	147,598	292,770
Other operating income	**(1,749)**	(933)	(1,325)
Net loss / (gain) on asset and property disposals	**143**	49	(131)
Share of results of associates	**(3)**	46	(14)
Net operating costs	**164,341**	146,760	291,300

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

4. Financial expenses and income

	Half year ended June 2014 £'000	Half year ended June 2013 £'000	Year ended December 2013 £'000
(a) Financial expenses			
Interest expense on Defined Benefit Pension Scheme	**51**	-	-
Interest expense on bank loans, overdrafts and loan notes	**1,532**	1,982	3,638
Finance lease interest expense	**4**	6	11
	1,587	1,988	3,649
(b) Financial income			
Interest income on Defined Benefit Pension Scheme	**-**	255	576
Interest receivable and similar income	**2**	1	9
	2	256	585

5. Income tax expense

	Half year ended June 2014 £'000	Half year ended June 2013 £'000	Year ended December 2013 £'000
Current tax expense			
Current year	**2,693**	1,516	4,251
Adjustments for prior years	**(1,240)**	(962)	(1,642)
	1,453	554	2,609
Deferred tax expense			
Origination and reversal of temporary differences:			
Current year	**195**	285	(2,944)
Adjustments for prior years	**737**	21	402
	2,385	860	67
Tax on discontinued operations	**-**	110	210
Total tax expense	**2,385**	970	277

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

5. Income tax expense (continued)

	Half year ended June 2014		Half year ended June 2013		Year ended December 2013	
	%	**£'000**	%	£'000	%	£'000
Reconciliation of effective tax rate						
Profit before tax:						
Continuing operations	**100.0**	**14,029**	100.0	8,028	100.0	13,026
Tax using domestic corporation tax rate	**21.5**	**3,016**	23.5	1,887	23.3	3,051
Disallowed amortisation of intangible assets	**1.4**	**196**	1.7	141	0.3	33
Net (income) / expenditure not taxable	**(2.3)**	**(324)**	(2.8)	(227)	6.4	839
Adjustments for prior years	**(3.6)**	**(503)**	(11.7)	(941)	(9.5)	(1,240)
Impact of the change in the rate of corporation tax on deferred taxation	**-**	**-**	-	-	(20.0)	(2,616)
	17.0	**2,385**	10.7	860	0.5	67

6. Earnings per share

Basic earnings per share from total operations of 6.11 pence (30 June 2013: 4.00 pence; 31 December 2013: 7.20 pence) per share is calculated by dividing the profit attributable to ordinary shareholders from total operations and after adjusting for non-controlling interests of £11,975,000 (30 June 2013: £7,818,000; 31 December 2013: £14,096,000) by the weighted average number of shares in issue during the period of 196,034,036 (30 June 2013: 195,620,371; 31 December 2013: 195,742,757).

Basic earnings per share from continuing operations of 6.11 pence (30 June 2013: 3.80 pence; 31 December 2013: 6.94 pence) per share is calculated by dividing the profit from continuing operations and after adjusting for non-controlling interests of £11,975,000 (30 June 2013: £7,421,000; 31 December 2013: £13,593,000) by the weighted average number of shares in issue during the year of 196,034,036 (30 June 2013: 195,620,371; 31 December 2013: 195,742,757).

Profit attributable to ordinary shareholders	Half year ended June		Year ended December
	2014	2013	2013
	£'000	£'000	£'000
Profit from continuing operations	**11,644**	7,168	12,959
Profit from discontinued operations	-	397	503
Profit for the financial period	**11,644**	7,565	13,462
Loss attributable to non-controlling interests	**331**	253	634
Profit attributable to ordinary shareholders	**11,975**	7,818	14,096

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

6. Earnings per share (continued)

Weighted average number of ordinary shares	Half year ended June **2014** **Number**	2013 Number	Year ended December 2013 Number
Number of issued ordinary shares (at beginning of the period)	**199,378,755**	199,378,755	199,378,755
Effect of shares transferred into employee benefit trust	**(2,205,907)**	(1,333,384)	(1,210,998)
Effect of treasury shares acquired	**(1,138,812)**	(2,425,000)	(2,425,000)
Weighted average number of ordinary shares at end of the period	**196,034,036**	195,620,371	195,742,757

Diluted earnings per share from total operations of 6.00 pence (30 June 2013: 3.92 pence; 31 December 2013: 7.07 pence) per share is calculated by dividing the profit from total operations, after adjusting for non-controlling interests, of £11,975,000 (30 June 2013: £7,818,000; 31 December 2013: £14,096,000) by the weighted average number of shares in issue during the period of 196,034,036 (30 June 2013: 195,620,371; 31 December 2013: 195,742,757) plus potentially dilutive shares of 3,711,426 (30 June 2013: 3,758,384; 31 December 2013: 3,635,998) which totals 199,745,462 (30 June 2013: 199,378,755; 31 December 2013: 199,378,755).

Diluted earnings per share from continuing operations of 6.00 pence (30 June 2013: 3.72 pence; 31 December 2013: 6.82 pence) per share is calculated by dividing the profit from continuing operations, after adjusting for non-controlling interests, of £11,975,000 (30 June 2013: £7,421,000; 31 December 2013: £13,593,000) by the weighted average number of shares in issue during the period of 196,034,036 (30 June 2013: 195,620,371; 31 December 2013: 195,742,757) plus potentially dilutive shares of 3,711,426 (30 June 2013: 3,758,384; 31 December 2013: 3,635,998) which totals 199,745,462 (30 June 2013: 199,378,755; 31 December 2013: 199,378,755).

Weighted average number of ordinary shares (diluted)	**Half year ended June 2014 Number**	Half year ended June 2013 Number	Year ended December 2013 Number
Weighted average number of ordinary shares	**196,034,036**	195,620,371	195,742,757
Dilutive shares	**3,711,426**	3,758,384	3,635,998
Weighted average number of ordinary shares (diluted)	**199,745,462**	199,378,755	199,378,755

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

7. Dividends

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

	Pence per qualifying share	Half year ended June **2014** **£'000**	Half year ended June 2013 £'000	Year ended December 2013 £'000
2014 interim	2.00p	**3,924**	-	-
2013 final	3.50p	**-**	-	6,867
2013 interim	1.75p	**-**	3,431	3,431
		3,924	3,431	10,298

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

	Pence per qualifying share	Half year ended June **2014** **£'000**	Half year ended June 2013 £'000	Year ended December 2013 £'000
2013 final	3.50p	**6,867**	-	-
2013 interim	1.75p	**-**	-	3,431
2012 final	3.50p	**-**	6,861	6,861
		6,867	6,861	10,292

The 2013 final dividend of 3.50 pence per qualifying ordinary share, total value £6,866,909, was paid on 4 July 2014 to shareholders registered at the close of business on 6 June 2014.

The Board has declared an interim dividend of 2.00 pence (June 2013: 1.75 pence) per share. This dividend will be paid on 5 December 2014 to shareholders on the register at the close of business on 24 October 2014. The ex-dividend date will be 23 October 2014.

8. Employee benefits

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

The Defined Benefit Section of the Scheme closed to future service accrual with effect from 30 June 2006 and members no longer pay contributions to the Defined Benefit Section. Company contributions after this date are used to fund any deficit in the Scheme and to meet the expenses associated with administering the Scheme, as determined by regular actuarial valuations.

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

The Scheme poses a number of risks to the Company, for example longevity risk, investment risk, interest rate risk and inflation risk. The Trustee is aware of these risks and uses various techniques to control them. The Trustee has a number of internal control policies including a risk register which are in place to manage and monitor the various risks they face. The Trustee's investment strategy incorporates the use of Liability Driven Investments ("LDIs") to minimise sensitivity of the actuarial funding position to movements, interest rates and inflation rates.

8. Employee benefits (continued)

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. The next actuarial valuation is due to be carried out with an effective date of 5 April 2016. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and include deliberate margins for prudence. This contrasts with these accounting disclosures which are determined using best estimate assumptions.

A formal actuarial valuation is currently being carried out as at 5 April 2014. The preliminary results of that valuation have been projected to 30 June 2014 by a qualified independent actuary. The figures in the following disclosures were measured using the Projected Unit Method.

	June		December
	2014	2013	2013
	£'000	£'000	£'000
Present value of funded obligations	**(271,958)**	(247,104)	(262,900)
Fair value of Scheme assets	**271,868**	257,006	258,553
Net amount recognised (before any adjustment for deferred tax)	**(90)**	9,902	(4,347)

The amounts recognised in Comprehensive Income are:

	Half year ended June		Year ended December
	2014	2013	2013
	£'000	£'000	£'000
Service cost:			
Net interest debit / (credit) recognised in the Consolidated Income Statement	**51**	(255)	(576)
Remeasurements of the net liability:			
Difference between actual and expected investment return	**(7,494)**	4,666	5,108
Loss arising from changes in financial assumptions	**7,064**	44	13,437
Loss arising from changes in demographic assumptions	**-**	-	987
Experience loss / (gain)	**422**	(845)	(797)
Charge recorded in Other Comprehensive Income	**(8)**	3,865	18,735
	43	3,610	18,159

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

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

8. Employee benefits (continued)

The principal actuarial assumptions used were:

	June		December
	2014	2013	2013
	£'000	£'000	£'000
Liability discount rate	**4.40%**	4.90%	4.60%
Inflation assumption – RPI	**3.30%**	3.40%	3.40%
Inflation assumption – CPI	**2.30%**	2.40%	2.40%
Rate of increase in salaries	**n/a**	n/a	n/a
Revaluation of deferred pensions	**2.30%**	2.40%	2.40%
Increases for pensions in payment:			
CPI pension increases (maximum 5% pa)	**2.30%**	2.40%	2.40%
CPI pension increases (maximum 5% pa, minimum 3% pa)	**3.10%**	3.20%	3.20%
CPI pension increases (maximum 3% pa)	**2.20%**	2.20%	2.20%

	June		December
	2014	2013	2013
Mortality assumption – before retirement	**Same as for after retirement**	Same as for after retirement	Same as for after retirement
Mortality assumption - after retirement (males)	**S1PMA tables**	S1PMA tables	S1PMA tables
Loading	**105%**	105%	105%
Projection Basis	**Year of birth CMI_2012 1.0%**	Year of birth CMI_2010	Year of birth CMI_2010
Mortality assumption - after retirement (females)	**S1PFA tables**	S1PFA tables	S1PFA tables
Loading	**105%**	105%	105%
Projection Basis	**Year of birth CMI_2012 1.0%**	Year of birth CMI_2010	Year of birth CMI_2010
Future expected lifetime of current pensioner at age 65:			
Male aged 65 at year end	**22.0**	21.9	21.9
Female age 65 at year end	**24.2**	24.0	24.1
Future expected lifetime of future pensioner at age 65:			
Male aged 45 at year end	**23.3**	23.3	23.2
Female age 45 at year end	**25.7**	25.5	25.6

9. Analysis of net debt

	1 January 2014 £'000	Cash flow £'000	Exchange differences £'000	**30 June 2014 £'000**
Cash at bank and in hand	17,652	(13,838)	(25)	**3,789**
Debt due within one year	(3,370)	(2,007)	172	**(5,205)**
Debt due after one year	(49,627)	(57)	325	**(49,359)**
Finance leases	(224)	55	(6)	**(175)**
	(35,569)	(15,847)	466	**(50,950)**

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

9. Analysis of net debt (continued)

Reconciliation of Net Cash Flow to Movement in Net Debt

	Half year ended June		Year ended December
	2014	2013	2013
	£'000	£'000	£'000
Net (decrease) / increase in cash and cash equivalents	**(13,838)**	(1,683)	6,534
Cash inflow / (outflow) from decrease / (increase) in debt and lease financing	**(2,009)**	12,758	21,568
Effect of exchange rate fluctuations	**466**	(518)	(128)
Movement in net debt in the period	**(15,381)**	10,557	27,974
Net debt at beginning of the period	**(35,569)**	(63,543)	(63,543)
Net debt at the end of the period	**(50,950)**	(52,986)	(35,569)

10. Borrowing facilities

The total bank borrowing facilities at 30 June 2014 amounted to £165.0 million (30 June 2013: £190.0 million; 31 December 2013: £145.0 million) of which £110.4 million (30 June 2013: £127.9 million; 31 December 2013: £92.0 million) remained unutilised.

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

The undrawn facilities available at 30 June 2014, in respect of which all conditions precedent had been met, were as follows:

	June		December
	2014	2013	2013
	£'000	£'000	£'000
Committed			
– Expiring in more than two years but not more than five years	**50,641**	82,850	50,373
– Expiring in one year or less	**14,795**	-	16,630
Uncommitted			
– Expiring in one year or less	**45,000**	45,000	25,000
	110,436	127,850	92,003

The committed facilities are all revolving credit facilities with interest charged at variable rate based on LIBOR.

The total borrowing facilities at 28 August 2014 amounted to £145.0 million. This was due to the reduction in uncommitted loan facilities of £10 million by the Group on 16 July 2014 and the refinancing on 21 August 2014 of two existing committed loan facilities totalling in aggregate £50.0 million, with extended maturity dates to 2017 and 2018, at newly arranged levels totalling £40.0 million. An additional loan facility of £20 million reached maturity on 20 August 2014 and has been refinanced with an extended maturity date to 2019.

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

10. Borrowing facilities

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

	Facility £'000	Cumulative Facility £'000
Committed facilities:		
Q3: 2019	20,000	20,000
Q3: 2018	20,000	40,000
Q3: 2017	20,000	60,000
Q3: 2016	25,000	85,000
Q3: 2015	25,000	110,000
On demand facilities:		
Available all year	15,000	125,000
Seasonal (February to August inclusive)	20,000	145,000

11. Fair values of financial assets and financial liabilities

A comparison by category of the book values and fair values of the financial assets and liabilities of the Group at 30 June 2014 are shown below:

	June 2014		December 2013	
	Book amount £'000	**Fair value £'000**	Book amount £'000	Fair value £'000
Trade and other receivables	**59,601**	**59,601**	32,373	32,373
Cash and cash equivalents	**3,789**	**3,789**	17,652	17,652
Bank loans	**(54,564)**	**(53,183)**	(52,997)	(52,061)
Finance lease liabilities	**(175)**	**(183)**	(224)	(236)
Trade and other payables	**(76,308)**	**(76,727)**	(65,598)	(65,598)
Interest rate swaps, forward contracts and fuel hedges	**(54)**	**(54)**	(284)	(284)
Financial (liabilities) / assets	**(67,711)**		(69,078)	
Other assets / (liabilities) – net	**244,723**		244,510	
	177,012		175,432	

Estimation of fair values

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

(a) Derivatives

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

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

(b) Interest-bearing loans and borrowings

Fair value is calculated based on the expected future principal and interest cash flows discounted at the 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 2014				
Derivative financial liabilities	-	**54**	-	**54**
31 December 2013				
Derivative financial liabilities	-	284	-	284

12. 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 28 to 31 of the 2013 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 2014 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 2014 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 2014 were as follows:

Andrew Allner	Chairman
Martyn Coffey	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 48 and 49 of the 2013 Annual Report.

By order of the Board
Cathy Baxandall
Company Secretary
28 August 2014

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 2014 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 2014 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 LLP
Chartered Accountants
1 The Embankment
Neville Street
Leeds LS1 4DW
28 August 2014

Shareholder Information

Financial calendar

Half-yearly results for the year ending December 2014	Announced	28 August 2014
Half-yearly dividend for the year ending December 2014	Payable	5 December 2014
Results for the year ending December 2014	Announcement	March 2015
Report and accounts for the year ending December 2014		April 2015
Annual General Meeting		May 2015
Final dividend for the year ending December 2014	Payable	July 2015

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.