Marshalls

Preliminary results for the year ended 31 December 2017

Marshalls plc, the specialist Landscape Products Group, announces its full year results for the year ended 31 December 2017.

Financial Highlights	Year ended 31 December 2017	Year ended 31 December 2016	Increase %
Revenue	£430.2m	£396.9m	8
EBITDA	£67.9m	£60.8m	12
Operating profit	£53.4m	£47.6m	12
Profit before tax	£52.1m	£46.0m	13
Basic EPS	21.52p	18.95p	14
Total dividends – ordinary and supplementary	14.20p	11.70p	21
Final ordinary dividend - recommended	6.80p	5.80p	17
Supplementary dividend - recommended	4.00p	3.00p	33
Return on capital employed ("ROCE")	24.8%	23.0%	↑ up 180 basis points
Net (debt) / cash	£(24.3)m	£5.4m	

Notes:

(1) 2017 EBITDA, operating profit and profit before tax are disclosed after charges of approximately £1 million for acquisition costs relating to the acquisition of CPM.
(2) 2017 ROCE has been calculated on a like-for-like basis, excluding the impact of CPM.
(3) Alternative performance measures are used consistently throughout this Preliminary Announcement. These relate to like-for-like, EBITA, EBITDA and ROCE. For further details of their purpose, definition and reconciliation to the equivalent statutory measures see Note 2.

Highlights:

- Revenue up 8% to £430.2 million (2016: £396.9 million), with like-for-like revenue (excluding CPM) up 6%
- Profit before tax up 13% to £52.1 million (2016: £46.0 million), after charging approximately £1 million of acquisition costs
- Return on capital employed improved 8% (180 basis points) to 24.8% (2016: 23.0%) on a like-for-like basis
- EPS up 14% to 21.52 pence (2016: 18.95 pence)
- CPM has traded strongly since acquisition and its integration is in line with our expectations
- The Group's strong cash generation has continued
- Net debt of £24.3 million (2016: £5.4 million cash) reflects cash outflow relating to the CPM acquisition of £41.4 million
- Final ordinary dividend increased by 17% to 6.80 pence (2016: 5.80 pence) per share
- Supplementary dividend of 4.00 pence (2016: 3.00 pence) per share
- Strong start to 2018 – sales up 18% including CPM (up 4% underlying)

The 2020 Strategy remains on track:

- EBITDA growth continues alongside improved ROCE and strengthened brand
- Self help programme well advanced
- Organic capital investment continues
- Research and development expenditure increased in the period
- Focus on innovation, new product development and service to drive sales growth
- Focus on increasing the profitability of the Emerging UK Businesses continues
- Wide-ranging digital strategy continues to drive real benefits across the business
- Continue to target selective bolt-on acquisition opportunities after the acquisition of CPM
- Maintain a 2 times dividend cover policy, supported by supplementary dividends

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

"The Group has again delivered strong profit growth year-on-year. Good progress has been made in the year executing the 2020 Strategy, notably the acquisition of CPM, and the ongoing self help programme to drive organic growth is progressing well. The underlying drivers have remained positive in our main end markets and our sales and order intake have been strong in the first 2 months of 2018.

We remain well placed to deliver continued growth and operational profit improvements."

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There will be a live video webcast of the analyst presentation today at 09:00am, which you can access via the following link: http://webcasting.brrmedia.co.uk/broadcast/5a6b562216922235d7fd5a58 or from our website, www.marshalls.co.uk. An on demand version of the webcast will be available on the website later in the day. The presentation is also available by dial in conference call on +44 (0)330 336 9411; meeting code 1013325.

Group Results

Group revenue for the year ended 31 December 2017 was up 8 per cent at £430.2 million (2016: £396.9 million). Group revenue includes £9.0 million from CPM Group Limited ("CPM"), which was acquired on 19 October 2017 and on a like-for-like basis, excluding the impact of CPM, Group revenue was up 6 per cent.

Sales in the Domestic end market, which represented approximately 32 per cent of Group sales, continue to outperform CPA forecasts and were up 12 per cent compared with the prior year. The survey of domestic installers at the end of February 2018 revealed order books of 10.8 weeks (2017: 10.9 weeks) which compared with 11.7 weeks at the end of October 2017.

Excluding CPM, sales in the Public Sector and Commercial end market, which represented approximately 61 per cent of Group sales, were up 2 per cent compared with 2016. The Group continues to target those parts of the market where higher levels of growth are anticipated including New Build Housing, Water Management and Rail.

As a result of our continued focus on strategic growth and operational efficiency initiatives, the Group delivered an operating profit of £53.4 million in 2017 (2016: £47.6 million), an increase of 12 per cent. This profit is calculated after charging approximately £1 million of acquisition costs in relation to the Group's acquisition of CPM.

CPM is a precast concrete manufacturer which specialises in underground water management solutions and the acquisition is in line with our stated 2020 Strategy to complement our organic growth plans with targeted acquisitions. CPM has traded strongly since acquisition and the planned integration of the business is in line with our expectations.

ROCE, defined as EBITA / shareholders' funds plus net debt, was 24.8 per cent for the year ended 31 December 2017, which was up 8 per cent (180 basis points) year-on-year. This ROCE calculation excludes the impact of CPM and is therefore on a like-for-like basis. Including the acquisition of CPM towards the end of the year, ROCE on a reported basis remained strong at 20.8 per cent (2016: 23.0 per cent).

Profit before tax increased by 13 per cent to £52.1 million (2016: £46.0 million) and EBITDA increased by 12 per cent to £67.9 million (2016: £60.8 million) after charging approximately £1 million of acquisition costs. Basic EPS was 21.52 pence (2016: 18.95 pence), an increase of 14 per cent.

Net finance costs were £1.3 million (2016: £1.6 million) and interest was covered 38.5 times (2016: 29.9 times). Interest charges on bank loans totalled £0.9 million (2016: £1.1 million) and, including scheme administration costs, there was an IAS 19 notional interest charge of £0.4 million (2016: £0.5 million) in relation to the Group's Pension Scheme. The IAS 19 notional interest includes interest on obligations under the defined benefit section of the Marshalls plc Pension Scheme net of the expected return on Scheme assets.

The effective tax rate was 19.1 per cent (2016: 18.5 per cent), the prior year having benefited from a deferred tax credit arising principally in relation to the settlement of share-based payments. The Group has paid £10.5 million (2016: £7.1 million) of corporation tax during the year.

Marshalls has again been awarded the Fair Tax Mark, which recognises social responsibility and transparency in a company's tax affairs. The Group's approach has long been closely aligned with the Fair Tax Mark's objectives and this is supported by the Group's tax strategy and fully transparent tax disclosures.

Capital discipline remains a key priority and the Group's strong cash generation has continued. Net debt at 31 December 2017 was £24.3 million (2016: £5.4 million cash) and reflects the total cash outflow of £41.4 million in connection with the acquisition of CPM. Operating cash flow was 100 per cent of EBITDA.

Acquisition of CPM

Water Management is a key focus area for the Group and the acquisition of CPM, in October last year, is a significant step towards the Group's stated strategy of building a full water management capability within its product range. CPM will enable the Group to offer customers a broader product choice that complements our existing water management offering. Previously, Marshalls did not trade in below ground UK drainage products, so the acquisition has extended the Group's product range below ground.

CPM's product ranges include pipes, traditional and sealed manholes, attenuation tanks and flow control and rainwater harvesting systems. CPM is a growing business with a strong track record of quality and service and is able to provide a comprehensive range of technical and innovative water management solutions.

Operating performance

Marshalls benefits from being a leading brand with a strong market position and a proven growth strategy. Marshalls continues to be a benchmark for excellence and the three cornerstone themes of customer service, quality and sustainability continue to put the customer at the very heart of our business model and investment proposition.

The core Commercial and Domestic businesses continue to deliver benefits from operational efficiency improvements and our network of manufacturing sites remains a key competitive strength. Revenues in the Emerging UK Businesses increased by 2 per cent, compared with the prior year. The improved performance of our Street Furniture business has been particularly encouraging in 2017, and the growth in sustainable profitability of our Emerging UK Businesses remains a key part of the 2020 Strategy.

International revenue grew by 19 per cent during 2017 and represents approximately 5 per cent of Group sales. Marshalls has made continued progress in developing the International business and trading performance has improved in line with the revenue growth. The Group continues to develop opportunities by improving its global supply chains and routes to market.

We are continuing to focus on improving operational and manufacturing efficiency. The Group adopts a flexible operating framework that aims to drive cost efficiency improvements across the controllable cost base and to develop flexible strategies within the supply chain. Our objective is to mitigate inflation on an ongoing basis to ensure sustainable business continuity and cost control. The Group's network of 13 concrete manufacturing sites and quarries provides national geographic coverage and, with the implementation of best practice across the entire network, represents a key competitive advantage.

The Group's well invested sites and capital expenditure programmes provide the flexibility to manufacture products for both the Public Sector and Commercial and the Domestic end markets. This enhances operational flexibility and remains a key priority. All the Group's operations are supported by a centrally managed logistics and distribution capability. Manufactured products from this network, together with ethically sourced natural stone products imported from India, China and Vietnam, are supplied to distributors' depots or direct to site.

New product development remains a core part of the 2020 Strategy. In the core Landscape Products business, the growth in revenue from new products continued strongly, increasing by 4.2 per cent during 2017. The objective is to deliver innovative market leading new products that are aligned with customer needs across all business areas. The development pipeline continues to be strong and the Group is committed to providing high performance product solutions. All the Group's premium driveway products now feature advanced Surface Performance Technology; examples include "Drivesys" which has been designed to look and feel like natural stone and "Priora" which has been specifically engineered to manage heavy rainfall.

Further development includes project engineering to improve manufacturing efficiency and our specialist engineers and technicians deliver competitive advantage for Marshalls by combining machinery design and installation with process improvement. This enables the Group to generate added value through innovation in materials, technology and product development.

In summary, Marshalls' operational priorities continue to focus on ensuring a consistently high standard of quality and a market leading level of customer service. The Group continues to extend its innovative product range and provide more integrated product solutions. The Group's Domestic strategy continues to drive sales growth through approved domestic installers. The Marshalls Register comprises approximately 1,900 teams and our continued focus on training and enhanced digital collateral aims to improve further the online customer experience.

Delivering the 2020 Strategy

The Group's 2020 Strategy is now in its third year and we have again delivered on its core aspects. The Group's strategy remains to grow the business, deliver increasing operating margins in all businesses and improve the Group's ROCE. We are now starting to look beyond 2020 so as to progress the development of our strategic objectives over the longer term.

During 2017, further progress has been made with the self help capital investment programme, the development of new products and the Group's digital strategy. These organic projects have been complemented by the acquisition of CPM and its planned integration is in line with our expectations. Both aspects have allowed us to improve the level of our sustainable operating margins, with the Group reporting an increase from 12.0 per cent to 12.4 per cent during the year.

Capital expenditure was £22.5 million in the year ended 31 December 2017, which included £8.6 million of additional self help investment. Capital expenditure of £28.0 million is planned for 2018. We continue to generate a good pipeline of capital investment projects that will drive future organic growth. In addition, increases in research and new product development expenditure continue to be made.

Notwithstanding the acquisition of CPM, we continue to target bolt-on acquisitions within our identified growth sectors of Water Management, Street Furniture and Minerals. Our approach remains cautious and any proposed acquisition target will be carefully assessed against strict criteria and will be thoroughly considered during the detailed due diligence phase.

Marshalls' Digital Strategy remains a key priority and continued investment is being directed to enhancing capability and to drive a "digital first" approach. The digital strategy is underpinned by continuous improvement driven by data analysis and customer insight. Our web and mobile applications enable customers to model their requirements and allow digital access to the registered installer base.

Capital allocation

The Group's capital allocation policy is to maintain a strong balance sheet with a flexible capital structure that recognises cyclical risk. The Group's capital structure has 3 guiding principles: security, efficiency and liquidity.

The priorities for capital allocation are:

1. Organic growth – capital investment, with £28 million planned for 2018;
2. Increased research and development and new product development expenditure;
3. Ordinary dividends – maintaining dividend cover of 2 times earnings over the business cycle;
4. Selective bolt-on acquisition opportunities in Water Management, Street Furniture and Minerals; and
5. Supplementary dividends when appropriate – discretionary and non-recurring.

Balance sheet and net debt

Net assets at 31 December 2017 were £237.6 million (2016: £217.1 million).

Net debt at 31 December 2017 was £24.3 million (2016: £5.4 million cash), which reflects the payment of consideration and costs totalling £38.4 million in relation to the acquisition of CPM, together with the impact of CPM's net borrowings taken on of £3.0 million. The ratio of net debt to EBITDA was 0.35 times, at 31 December 2017, which is comfortably within our target range, of between 0 to 1 times, and well below covenant levels. Cash management continues to be a high priority with continuing focus on the close control of inventory and the effective management of working capital. Our key working capital metrics are in line with management plans. The Group has a good range of medium term bank facilities available to fund investment initiatives to support the Group's growth strategy.

The balance sheet value of the Group's defined benefit Pension Scheme was a surplus of £4.1 million (2016: £4.3 million). The amount has been determined by the scheme actuary. The fair value of the Scheme assets at 31 December 2017 was £354.7 million (2016: £360.1 million) and the present value of the Scheme liabilities is £350.6 million (2016: £355.8 million). These changes have resulted in an actuarial gain, net of deferred taxation, of £0.3 million (2016: £1.4 million actuarial gain) and this has been recorded in the Consolidated Statement of Comprehensive Income. The Company has previously agreed with the Trustee that no cash contributions are now payable under the funding and recovery plan.

Dividends

Marshalls has strong cash generation and a robust balance sheet which underpins a progressive dividend policy aimed at achieving up to 2 times dividend cover over the business cycle. The Board is recommending a final dividend of 6.80 pence (2016: 5.80 pence) per share which, together with the interim dividend of 3.40 pence (2016:

2.90 pence) per share, makes a total ordinary dividend for the year of 10.20 pence (2016: 8.70 pence) per share, an increase of 17 per cent.

Given another strong performance in the year, the Board is also recommending a supplementary dividend of 4.00 pence per share for 2017 (2016: 3.00 pence). As previously, this supplementary dividend is discretionary and non-recurring. The payment of a supplementary dividend recognises the Board's objective of maintaining an efficient and prudent capital structure and providing increased returns for shareholders whilst at the same time retaining flexibility for capital and other investment opportunities.

Taken together, the ordinary and supplementary dividends represent an aggregate distribution for the year of 14.20 pence per share (2016: 11.70 pence). Subject to shareholders' approval at the Annual General Meeting on 9 May 2018, the final ordinary dividend of 6.80 pence per ordinary share and the supplementary dividend of 4.00 pence per share will be paid on 29 June 2018 to shareholders on the register at 8 June 2018.

Outlook

The Group has again delivered strong profit growth year-on-year. Good progress has been made in the year executing the 2020 Strategy, notably the acquisition of CPM, and the ongoing self help programme to drive organic growth is progressing well. The underlying drivers have remained positive in our main end markets and our sales and order intake have been strong in the first two months of 2018.

We remain well placed to deliver continued growth and operational profit improvements.

Marshalls plc
Preliminary Announcement of Results
Consolidated Income Statement
for the year ended 31 December 2017

	Notes	**2017 £'000**	2016 £'000
Revenue	3	**430,194**	396,922
Net operating costs	4	**(376,755)**	(349,283)
Operating profit	3	**53,439**	47,639
Financial expenses	5	**(1,388)**	(1,594)
Financial income	5	**-**	1
Profit before tax	3	**52,051**	46,046
Income tax expense	6	**(9,925)**	(8,539)
Profit for the financial year		**42,126**	37,507
Profit for the year			
Attributable to:			
Equity shareholders of the Parent		**42,503**	37,350
Non-controlling interests		**(377)**	157
		42,126	37,507
Earnings per share			
Basic	7	**21.52p**	18.95p
Diluted	7	**21.37p**	18.61p
Dividend			
Pence per share	8	**12.20p**	9.65p
Dividends declared	8	**24,105**	19,034

All results relate to continuing operations.

Marshalls plc
Preliminary Announcement of Results
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2017

	2017 £'000	2016 £'000
Profit for the financial year	**42,126**	37,507
Other comprehensive income / (expense)		
Items that will not be reclassified to the Income Statement:		
Remeasurements of the net defined benefit liability	**328**	1,394
Deferred tax arising	**(56)**	(237)
Total items that will not be reclassified to the Income Statement	**272**	1,157
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	**146**	1,123
Fair value of cash flow hedges transferred to the Income Statement	**(385)**	1,681
Deferred tax arising	**35**	(561)
Exchange difference on retranslation of foreign currency net investment	**179**	2,729
Exchange movements associated with borrowings	**(638)**	(2,641)
Foreign currency translation differences – non-controlling interests	**371**	169
Total items that are or may be reclassified subsequently to the Income Statement	**(292)**	2,500
Other comprehensive (expense) / income for the year, net of income tax	**(20)**	3,657
Total comprehensive income for the year	**42,106**	41,164
Attributable to:		
Equity shareholders of the Parent	**42,112**	40,838
Non-controlling interests	**(6)**	326
	42,106	41,164

Marshalls plc
Preliminary Announcement of Results
Consolidated Balance Sheet
for the year ended 31 December 2017

	Notes	**2017 £'000**	2016 £'000
Assets			
Non-current assets			
Property, plant and equipment		**169,093**	146,995
Intangible assets		**73,079**	40,093
Trade and other receivables		**-**	208
Employee benefits	9	**4,127**	4,276
Deferred taxation assets		**2,775**	1,821
		249,074	193,393
Current assets			
Inventories		**77,859**	68,713
Trade and other receivables		**68,221**	49,010
Cash and cash equivalents		**19,845**	20,681
Assets classified as held for sale		**-**	624
Derivative financial instruments		**447**	657
		166,372	139,685
Total assets		**415,446**	333,078
Liabilities			
Current liabilities			
Trade and other payables		**97,552**	79,646
Corporation tax		**9,299**	7,388
Interest-bearing loans and borrowings		**35**	34
		106,886	87,068
Non-current liabilities			
Interest-bearing loans and borrowings		**44,107**	15,234
Provisions		**11,840**	-
Deferred taxation liabilities		**14,986**	13,655
		70,933	28,889
Total liabilities		**177,819**	115,957
Net assets		**237,627**	217,121
Equity			
Capital and reserves attributable to equity shareholders of the Parent			
Called-up share capital		**49,845**	49,845
Share premium account		**22,695**	22,695
Own shares		**(2,359)**	(3,622)
Capital redemption reserve		**75,394**	75,394
Consolidation reserve		**(213,067)**	(213,067)
Hedging reserve		**386**	590
Retained earnings		**303,274**	283,821
Equity attributable to equity shareholders of the Parent		**236,168**	215,656
Non-controlling interests		**1,459**	1,465
Total equity		**237,627**	217,121

Marshalls plc
Preliminary Announcement of Results
Consolidated Cash Flow Statement
for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit for the financial year		**42,126**	37,507
Income tax expense	6	**9,925**	8,539
Profit before tax		**52,051**	46,046
Adjustments for:			
Depreciation		**13,314**	12,146
Amortisation		**1,142**	1,009
Gain on sale of property, plant and equipment		**(948)**	(609)
Equity settled share-based payments		**2,382**	2,884
Financial income and expenses (net)		**1,388**	1,593
Operating cash flow before changes in working capital		**69,329**	63,069
Decrease / (increase) in trade and other receivables		**5,334**	(4,602)
Increase in inventories		**(4,252)**	(2,419)
(Decrease)/Increase in trade and other payables		**(320)**	1,868
Operational restructuring costs paid		**(1,217)**	(476)
Acquisition costs paid		**(193)**	-
Cash generated from operations		**68,681**	57,440
Financial expenses paid		**(911)**	(940)
Income tax paid		**(10,465)**	(7,107)
Net cash flow from operating activities		**57,305**	49,393
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**3,891**	3,839
Financial income received		-	1
Acquisition of subsidiary undertaking		**(41,227)**	–
Acquisition of property, plant and equipment		**(18,895)**	(12,939)
Acquisition of intangible assets		**(1,750)**	(934)
Net cash flow from investing activities		**(57,981)**	(10,033)
Cash flows from financing activities			
Payments to acquire own shares		**(1,068)**	(1,175)
Net decrease in other debt and finance leases		**(3,407)**	(40)
Increase / (decrease) in borrowings		**28,226**	(23,791)
Equity dividends paid		**(24,105)**	(19,034)
Net cash flow from financing activities		**(354)**	(44,040)
Net decrease in cash and cash equivalents		**(1,030)**	(4,680)
Cash and cash equivalents at the beginning of the year		**20,681**	24,990
Effect of exchange rate fluctuations		**194**	371
Cash and cash equivalents at the end of the year		**19,845**	20,681

Marshalls plc
Preliminary Announcement of Results
Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

	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
Current year										
At 1 January 2017	49,845	22,695	(3,622)	75,394	(213,067)	590	283,821	215,656	1,465	217,121
Total comprehensive income for the year										
Profit for the financial year attributable to equity shareholders of the Parent	**-**	**-**	**-**	**-**	**-**	**-**	**42,503**	**42,503**	**(377)**	**42,126**
Other comprehensive income / (expense)										
Foreign currency translation differences	**-**	**-**	**-**	**-**	**-**	**-**	**(459)**	**(459)**	**371**	**(88)**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**-**	**-**	**-**	**146**	**-**	**146**	**-**	**146**
Net change in fair value of cash flow hedges transferred to the Income Statement	**-**	**-**	**-**	**-**	**-**	**(385)**	**-**	**(385)**	**-**	**(385)**
Deferred tax arising	**-**	**-**	**-**	**-**	**-**	**35**	**-**	**35**	**-**	**35**
Defined benefit plan actuarial gain	**-**	**-**	**-**	**-**	**-**	**-**	**328**	**328**	**-**	**328**
Deferred tax arising	**-**	**-**	**-**	**-**	**-**	**-**	**(56)**	**(56)**	**-**	**(56)**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(204)**	**(187)**	**(391)**	**371**	**(20)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(204)**	**42,316**	**42,112**	**(6)**	**42,106**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**2,382**	**2,382**	**-**	**2,382**
Deferred tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**885**	**885**	**-**	**885**
Corporation tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**306**	**306**	**-**	**306**
Dividends to equity shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(24,105)**	**(24,105)**	**-**	**(24,105)**
Purchase of own shares	**-**	**-**	**(1,068)**	**-**	**-**	**-**	**-**	**(1,068)**	**-**	**(1,068)**
Disposal of own shares	**-**	**-**	**2,331**	**-**	**-**	**-**	**(2,331)**	**-**	**-**	**-**
Total contributions by and distributions to owners	**-**	**-**	**1,263**	**-**	**-**	**-**	**(22,863)**	**(21,600)**	**-**	**(21,600)**
Total transactions with owners of the Company	**-**	**-**	**1,263**	**-**	**-**	**(204)**	**19,453**	**20,512**	**(6)**	**20,506**
At 31 December 2017	**49,845**	**22,695**	**(2,359)**	**75,394**	**(213,067)**	**386**	**303,274**	**236,168**	**1,459**	**237,627**

Marshalls plc
Preliminary Announcement of Results
Consolidated Statement of Changes in Equity (continued)
for the year ended 31 December 2017

	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
Current year										
At 1 January 2016	**49,845**	**22,695**	**(5,529)**	**75,394**	**(213,067)**	**(1,653)**	**263,894**	**191,579**	**1,139**	**192,718**
Total comprehensive income for the year										
Profit for the financial year attributable to equity shareholders of the Parent	–	–	–	–	–	–	37,350	37,350	157	37,507
Other comprehensive income / (expense)										
Foreign currency translation differences	–	–	–	–	–	–	88	88	169	257
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	1,123	–	1,123	–	1,123
Net change in fair value of cash flow hedges transferred to the Income Statement	–	–	–	–	–	1,681	–	1,681	–	1,681
Deferred tax arising	–	–	–	–	–	(561)	–	(561)	–	(561)
Defined benefit plan actuarial gain	–	–	–	–	–	–	1,394	1,394	–	1,394
Deferred tax arising	–	–	–	–	–	–	(237)	(237)	–	(237)
Total other comprehensive income	–	–	–	–	–	2,243	1,245	3,488	169	3,657
Total comprehensive income for the year	–	–	–	–	–	2,243	38,595	40,838	326	41,164
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	–	–	–	–	–	–	2,884	2,884	–	2,884
Deferred tax on share-based payments	–	–	–	–	–	–	122	122	–	122
Corporation tax on share-based payments	–	–	–	–	–	–	442	442	–	442
Dividends to equity shareholders	–	–	–	–	–	–	(19,034)	(19,034)	–	(19,034)
Purchase of own shares	–	–	(1,175)	–	–	–	–	(1,175)	–	(1,175)
Disposal of own shares	–	–	3,082	–	–	–	(3,082)	–	–	–
Total contributions by and distributions to owners	–	–	1,907	–	–	–	(18,668)	(16,761)	–	(16,761)
Total transactions with owners of the Company	–	–	1,907	–	–	2,243	19,927	24,077	326	24,403
At 31 December 2016	**49,845**	**22,695**	**(3,622)**	**75,394**	**(213,067)**	**590**	**283,821**	**215,656**	**1,465**	**217,121**

1 Basis of preparation
Whilst the Financial Information included in this Preliminary Announcement has been prepared on the basis of the recognition and measurement criteria of IFRSs in issue, as adopted by the European Union and effective at 31 December 2017, this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full Consolidated Financial Statements in April 2018.

The Financial Information set out in this Preliminary Announcement does not constitute the Company's Consolidated Financial Statements for the years ended 31 December 2017 or 2016, but is derived from those Financial Statements. Statutory Financial Statements for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting. The auditor, Deloitte LLP, has reported on those Financial Statements. The audit reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying the reports and did not contain statements under Section 498(2) or (3) of the Companies Act 2006 in respect of the Financial Statements for 2017 or 2016.

The Consolidated Financial Statements have been prepared in accordance with IFRSs as adopted for use in the EU and therefore the Group Financial Statements comply with Article 4 of the EU IAS Regulations. The Group has applied all accounting standards and interpretations issued by the IASB and International Financial Reporting Committee relevant to its operations and which are effective in respect of these Financial Statements.

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2017. Their adoption has not had any material impact on the disclosures or on the amounts reported in these Financial Statements.

Amendments to IAS 7 - "*Disclosure Initiative".*	The Group has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of borrowings and certain derivatives. Apart from additional disclosures, the application of these amendments has had no impact on the Group's Consolidated Financial Statements.
Amendments to IAS 12 – "*Recognition of Deferred Tax Assets for Unrealised Losses".*	The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's Consolidated Financial Statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these amendments.
"Annual Improvements to IFRSs 2014-2016 Cycle ".	The Group has adopted the amendments to IFRS 12 included in the "*Annual Improvements to IFRSs 2014-2016 Cycle"* for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these Financial Statements, the Group has not applied the following new or revised IFRSs that have been issued but are not yet effective and, in some cases, have not yet been adopted by the EU:

IFRS 9	*"Financial Instruments";*
IFRS 15	*"Revenue from Contracts with Customers (and the related Clarifications)";*

IFRS 16	*"Leases";*
IFRS 17	*"Insurance Contracts";*
IFRS 2 (amendments)	*"Classification and Measurement of Share-based Payment Transactions";*
IFRS 4 (amendments)	*"Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts";*
IAS 40 (amendments)	*"Transfers of Investment Property";*
IFRS 10 and IAS 28 (amendments)	*"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture";*
Annual Improvements to IFRSs 2014-2016 Cycle	Amendments to IFRS 1 "*First-time Adoption of International Financial Reporting Standards* and IFRS 28 *Investments in Associates and Joint Ventures";*
Annual Improvements to IFRSs 2015-2017 Cycle	Amendments to IFRS 3 "*Business Combinations, IFRS 11 Joint arrangements, IAS 12 Income tax and IAS 23 borrowing costs";*
IFRIC 22	*"Foreign Currency Transactions and Advanced Consideration"; and*
IFRIC 23	*"Uncertainty over Income Tax Treatments".*

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Financial Statements of the Group in future periods, except as noted below:

IFRS 15 *"Revenue from Contracts with Customers"*

IFRS 15, "*Revenue from Contracts with Customers*" supersedes IAS 18, "*Revenue*", and establishes a principles-based approach to revenue recognition and measurement based on the concept of recognising revenue when performance obligations are satisfied. An assessment of the impact of IFRS 15 has been completed and revenue recognition under IFRS 15 is expected to be consistent with the current practice for the Group's revenue. The Group has completed an assessment of the impact of IFRS 15 and determined that the standard will have no material impact on the Group's financial reporting.

IFRS 16 *"Leases"*

IFRS 16, which has not yet been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 "*Leases"* and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Group currently expects to adopt IFRS 16 for the year ending 31 December 2019. No decision has been made about whether to use any of the transitional options in IFRS 16.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

The Group has established a working group to assess the impact of the new standard. Work performed includes assessing the accounting impacts of the change, the process of collecting the required data from across the business and the necessary changes to systems and processes. From work performed to date, it is expected implementation of the new standard will have a significant impact on the consolidated results of the Group. On adoption, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. Depreciation of the right of use asset will be recognised in the Statement of Profit or Loss on a straight-line basis, with interest recognised on the lease liability. This will result in a change to the profile of the net charge taken to the Statement of Profit or Loss over the life of the lease. These charges will replace the lease costs currently charged to the Statement of Profit or Loss. The Directors are currently assessing the potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the Directors complete the review.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of £64.2 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments.

IFRS 9 "*Financial Instruments"*

"The Group will apply IFRS 9 from 1 January 2018. The Group has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Group's Consolidated Financial Statements will depend on the financial instruments that the Group has during 2018 as well as on economic conditions and judgements made as at the year end. The Group has performed a preliminary assessment of potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9 (1 January 2018).

Classification and measurement

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are 3 principal classification categories for financial assets that are debt instruments: (i) amortised cost, (ii) fair value through other comprehensive income ("FVTOCI") and (iii) fair value through profit or loss ("FVTPL"). Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognised in profit or loss unless an irrevocable election is made to recognise gains or losses in other comprehensive income. Under IFRS 9, derivatives embedded in financial assets are not bifurcated but instead the whole hybrid contract is assessed for classification.

Under IFRS 9, financial assets can be designated as at FVTPL to mitigate an accounting mismatch.

In respect to classification and measurement of financial liabilities, changes in the fair value of a financial liability designated as at FVTPL due to credit risk are presented in other comprehensive income unless such presentation would create or enlarge an accounting mismatch in profit or loss.

Based on the Group's preliminary assessment, the change in the classification and measurement of listed redeemable notes will not have a material impact on the Group Financial Statements.

Impairment

The impairment model under IFRS 9 reflects "*expected"* credit losses, as opposed to only "*incurred"* credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date.

The new impairment model will apply to the Group's financial assets that are debt instruments measured at amortised costs or FVTOCI as well as the Group's finance lease receivables, contract assets and issued financial guarantee contracts.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables, finance lease receivables and contracts assets as required or permitted by IFRS 9. The Group's preliminary assessment is that the loss allowance for these assets as at 1 January 2018 is not significantly different to that under IAS 39.

Hedge accounting

On initial application of IFRS 9, an entity may choose, as its accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. The Group has elected to apply the IFRS 9 hedge accounting requirements because they align more closely with the Group's risk management policies.

An assessment of the Group's hedging relationships under IAS 39 has been performed and it has been determined that the relationships will qualify as continuing hedging relationships under IFRS 9.

Details of the Group's funding position are set out in Note 11 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 1 August 2017. In the opinion of the Directors there are sufficient unutilised facilities held which mature after 12 months. The Group's performance is dependent on economic and market conditions, the outlook for which is difficult to predict. Based on current expectations, the Group's cash forecasts continue to meet half-year and year-end bank covenants and there is adequate headroom 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 Consolidated Financial Statements.

The Consolidated 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 Consolidated Financial Statements and are also set out on the Company's website (www.marshalls.co.uk).

The Consolidated Financial Statements are presented in Sterling, rounded to the nearest thousand. Sterling is the currency of the primary economic environment in which the Group operates.

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.

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.

2 Alternative performance measures

The Group uses alternative performance measures ("APMs") which are not defined or specified under IFRS. The Group believes that these APMs which are not considered to be a substitute for IFRS measures, provide additional helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board and provide more meaningful comparative information. In relation to the year ended 31 December 2017, certain APMs are required as a consequence of the acquisition of CPM on 19 October 2017 in order to ensure comparability with the prior year period.

Like-for-like revenue growth

Management uses like-for-like revenue growth as it provides a consistent measure of the percentage increases / decrease in revenue year on year, excluding the effect of acquisitions.

	2017 £000	2016 £000	Increase %
Reported revenue	**430,194**	396,922	8%
CPM post-acquisition revenue	**(9,017)**	-	
Like-for-like revenue	**421,177**	396,922	6%

EBITA and EBITDA

EBITA represents earnings before interest, tax and the amortisation of intangibles. This is a component of the ROCE calculation.
EBITDA is calculated by adding back depreciation to EBITA.

	2017 £000	2016 £000	Increase %
EBITDA	**67,895**	60,794	12%
Depreciation	**(13,314)**	(12,146)	
EBITA	**54,581**	(48,648)	
Amortisation of intangible assets	**(1,142)**	(1,009)	
Operating profit	**53,439**	47,639	12%

ROCE

Reported ROCE is defined as EBITA divided by shareholders funds plus cash / net debt.

	2017 £000	2016 £000	Increase %
EBITA	**54,581**	48,648	
Shareholders funds	**237,627**	217,121	
Net debt / (cash)	**24,297**	(5,413)	
	261,924	211,708	
Reported ROCE	**20.8%**	23.0%	

ROCE on a like-for-like basis (excluding the impact of CPM) includes adjustments to report the calculation on a basis that eliminates the impact of the acquisition of CPM. This ensures comparability with the prior year period.

	2017 £000	2016 £000	Increase %
Reported EBITA	**54,581**	48,648	
CPM post acquisition EBIT	**(749)**	-	
CPM amortisation of intangible assets	**132**	-	
Acquisition costs	**837**	-	
Adjusted EBITA	**54,801**	48,648	
Shareholders funds	**237,627**	217,121	
Net debt / (cash)	**24,297**	(5,413)	
	261,924	211,708	
Impact on net debt arising from the acquisition of CPM	**(41,227)**	-	
As adjusted	**220,697**	211,708	
ROCE on a like-for-like basis (excluding the impact of CPM)	**24.8%**	23.0%	8%

3 Segmental analysis

Segment revenues and results

	2017			2016		
	Landscape Products £'000	**Other £'000**	**Total £'000**	Landscape Products £'000	Other £'000	Total £'000
Total revenue	**339,655**	**94,622**	**434,277**	311,100*	89,070*	400,170
Inter-segment revenue	**(226)**	**(3,857)**	**(4,083)**	(89)	(3,159)	(3,248)
External revenue	**339,429**	**90,765**	**430,194**	311,011*	85,911*	396,922
Segment operating profit	**56,104**	**1,873**	**57,977**	50,441*	3,157*	53,598
Unallocated administration costs			**(4,538)**			(5,959)
Operating profit			**53,439**			47,639
Finance charges (net)			**(1,388)**			(1,593)
Profit before tax			**52,051**			46,046
Taxation			**(9,925)**			(8,539)
Profit after tax			**42,126**			37,507

* The 2017 Half Year Report disclosed the results of the Landscape Products segment on a basis consistent with reporting to the Chief Operating Decision Maker ("CODM*). In line with the Group's emerging strategy, in the second half of the year the reporting to the CODM reverted to the 2016 structure with the Natural Stone Paving business reported as part of the Landscape Products segment.

The Group has 2 customers who each contributed more than 10 per cent of total revenue in the current and prior year.

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 UK 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 1 integrated production, logistics and distribution network supporting both end markets. Following its acquisition, the CPM business has been included within the Landscape Products operating segment.

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

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 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

	2017 £'000	2016 £'000
Fixed assets and inventory:		
Landscape Products	**182,391**	157,786*
Other	**64,561**	57,922*
Total segment fixed assets and inventory	**246,952**	215,708
Unallocated assets	**168,494**	117,370
Consolidated total assets	**415,446**	333,078

* The 2017 Half Year Report disclosed the results of the Landscape Products segment on a basis consistent with reporting to the Chief Operating Decision Maker ("CODM*). In line with the Group's emerging strategy, in the second half of the year the reporting to the CODM reverted to the 2016 structure with the Natural Stone Paving business reported as part of the Landscape Products segment.

For the purpose of monitoring segment performance and allocating resources 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	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Landscape Products	**10,878**	9,462*	**17,041**	9,131*
Other	**3,578**	3,693*	**5,445**	3,883*
	14,456	13,155	**22,486**	13,014

* The 2017 Half Year Report disclosed the results of the Landscape Products segment on a basis consistent with reporting to the Chief Operating Decision Maker ("CODM*). In line with the Group's emerging strategy, in the second half of the year the reporting to the CODM reverted to the 2016 structure with the Natural Stone Paving business reported as part of the Landscape Products segment.

Geographical destination of revenue

	2017	2016
	£'000	£'000
United Kingdom	**407,215**	377,659
Rest of the World	**22,979**	19,263
	430,194	396,922

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.

4 Net operating costs

	2017	2016
	£'000	£'000
Raw materials and consumables	**151,343**	142,011
Changes in inventories of finished goods and work in progress	**7,231**	2,591
Personnel costs	**100,811**	98,128
Depreciation	**13,314**	12,146
Amortisation of intangible assets	**1,142**	1,009
Own work capitalised	**(1,919)**	(1,381)
Other operating costs	**106,569**	97,069
Operational restructuring costs	**1,217**	476
Acquisition costs	**837**	-
Operating costs	**380,545**	352,049
Other operating income	**(2,842)**	(2,157)
Net gain on asset and property disposals	**(948)**	(609)
Net operating costs	**376,755**	349,283

5 Financial expenses and income

	2017	2016
	£'000	£'000
(a) Financial expenses		
Net interest expense on defined benefit pension scheme	**377**	445
Interest expense on bank loans, overdrafts and loan notes	**1,005**	1,143
Finance lease interest expense	**6**	6
	1,388	1,594
(b) Financial income		
Interest receivable and similar income	**-**	1

Net interest expense on defined benefit pension scheme is disclosed net of Company recharges.

6 Income tax expense

	2017 £'000	2016 £'000
Current tax expense		
Current year	**11,554**	10,611
Adjustments for prior years	**(732)**	(921)
	10,822	9,690
Deferred taxation expense		
Origination and reversal of temporary differences:		
Current year	**(797)**	(1,098)
Adjustments for prior years	**(100)**	(53)
Total tax expense	**9,925**	8,539

	2017 %	2017 £'000	2016 %	2016 £'000
Reconciliation of effective tax rate				
Profit before tax	**100.0**	**52,051**	100.0	46,046
Tax using domestic corporation tax rate	**19.3**	**10,020**	20.0	9,209
Impact of capital allowances in excess of depreciation	**0.3**	**184**	0.4	173
Short-term timing differences	**1.2**	**630**	1.0	480
Adjustment to tax charge in prior year	**(1.4)**	**(732)**	(2.0)	(921)
Expenses not deductible for tax purposes	**1.4**	**720**	1.6	749
Corporation tax charge for the year	**20.8**	**10,822**	21.0	9,690
Impact of capital allowances in excess of depreciation	**(1.2)**	**(618)**	(1.0)	(443)
Short-term timing differences	**(0.2)**	**(103)**	(0.1)	(66)
Pension scheme movements	**(0.1)**	**(77)**	0.3	127
Other items	**1.0**	**532**	(0.9)	(397)
Adjustment to tax charge in prior year	**(0.2)**	**(100)**	(0.1)	(53)
Impact of the change in the rate of corporation tax on deferred taxation	**(1.0)**	**(531)**	(0.7)	(319)
Total tax charge for the year	**19.1**	**9,925**	18.5	8,539

The net amount of deferred taxation (debited)/credited to the Consolidated Statement of Comprehensive Income in the year was £21,000 debit (2016: £798,000 debit).

The majority of the Group's profits are earned in the UK with the standard rate of corporation tax being 19.25 per cent for the year to 31 December 2017.

Capital allowances are tax reliefs provided in law for the expenditure the Group makes on fixed assets. The rates are determined by Parliament annually, and spread the tax relief due over a number of years. This contrasts with the accounting treatment for such spending, where the expenditure on fixed assets is treated as an investment with the cost then being spread over the anticipated useful life of the asset, and / or impaired if the value of such assets is considered to have reduced materially.

The different accounting treatment of fixed assets for tax and accounting purposes is one reason why the taxable income of the Group is not the same as its accounting profit. During the year ended 31 December 2017 the depreciation charge for the year exceeded the capital allowances due to the Group.

Short-term timing differences arise on items such as depreciation in stock and share-based payments because the treatment of such items is different for tax and accounting purposes. These differences usually reverse in the years following those in which they arise, as is reflected in the deferred tax charge in the Financial Statements.

Adjustments to tax charges arising in earlier years arise because the tax charge to be included in a set of accounts has to be estimated before those financial statements are finalised. Such charges therefore include some estimates that are checked and refined before the Group's corporation tax returns for the year are submitted to HM Revenue & Customs, which may reflect a different liability as a result.

Some expenses incurred may be entirely appropriate charges for inclusion in the Financial Statements but are not allowed as a deduction against taxable income when calculating the Group's tax liability for the same accounting period. Examples of such disallowable expenditure include business entertainment costs and some legal expenses.

As can be seen from the tax reconciliation, the process of adjustment that can give rise to current year adjustments to tax charges arising in previous periods can also give rise to revisions in prior year deferred tax estimates. This is why the current year adjustments to the current year charge for capital allowances and short-term timing differences are not exactly replicated in the deferred taxation charge for the year.

The Group's overseas operations comprise a manufacturing operation in Belgium and sales and administration offices in the USA, China and Dubai. The sales of these units, in total, were less than 5 per cent of the Group's turnover in the year ended 31 December 2017. In total, the trading profits were not material and no tax was due.

7 Earnings per share

Basic earnings per share of 21.52 pence (2016: 18.95 pence) per share is calculated by dividing the profit attributable to Ordinary Shareholders for the financial year, after adjusting for non-controlling interests, of £42,503,000 (2016: £37,350,000) by the weighted average number of shares in issue during the period of 197,518,109 (2016: 197,130,419).

Profit attributable to Ordinary Shareholders

	2017 £'000	2016 £'000
Profit for the financial year	**42,126**	37,507
Result attributable to non-controlling interests	**377**	(157)
Profit attributable to Ordinary Shareholders	**42,503**	37,350

Weighted average number of Ordinary Shares

	2017 Number	2016 Number
Number of issued Ordinary Shares	**199,378,755**	199,378,755
Effect of shares transferred into employee benefit trust	**(1,860,646)**	(2,248,336)
Weighted average number of Ordinary Shares at end of the year	**197,518,109**	197,130,419

Diluted earnings per share of 21.37 pence (2016: 18.61 pence) per share is calculated by dividing the profit for the financial year, after adjusting for non-controlling interests, of £42,503,000 (2016: £37,350,000) by the weighted average number of shares in issue during the period of 197,518,109 (2016: 197,130,419) plus potentially dilutive shares of 1,384,707 (2016: 3,561,243), which totals 198,902,816 (2016: 200,691,662).

Weighted average number of Ordinary Shares (diluted)

	2017 Number	2016 Number
Weighted average number of Ordinary Shares	**197,518,109**	197,130,419
Potentially dilutive shares	**1,384,707**	3,561,243
Weighted average number of Ordinary Shares (diluted)	**198,902,816**	200,691,662

8 Dividends

After the balance sheet date a final dividend of 6.80 pence (2016: 5.80 pence) per qualifying Ordinary Share was proposed by the Directors. In addition a supplementary dividend of 4.00 pence (2016: 3.00 pence) per qualifying Ordinary Share was proposed by the Directors. These dividends have not been provided for and there are no income tax consequences. The total dividends proposed in respect of the year are as follows:

	Pence per qualifying share	**2017 £'000**	2016 £'000
2017 supplementary	**4.00**	**7,904**	
2017 final	**6.80**	**13,436**	
2017 interim	**3.40**	**6,718**	
	14.20	**28,058**	
2016 supplementary	3.00		5,927
2016 final	5.80		11,460
2016 interim	2.90		5,720
	11.70		23,107

The following dividends were approved by the shareholders and recognised in the year:

	Pence per qualifying share	**2017 £'000**	2016 £'000
2017 interim	3.40	6,718	
2016 supplementary	3.00	5,927	
2016 final	5.80	11,460	
	12.20	24,105	
2016 interim	2.90		5,720
2015 supplementary	2.00		3,945
2015 final	4.75		9,369
	9.65		19,034

The Board recommends a 2017 final dividend of 6.80 pence per qualifying Ordinary Share (amounting to £13,436,000), alongside a supplementary dividend of 4.00 pence per qualifying Ordinary Share (amounting to £7,904,000), to be paid on 29 June 2018 to shareholders registered at the close of business on 8 June 2018.

9 Employee benefits

The Company sponsors a funded defined benefit pension scheme in the UK ("the Scheme"). The Scheme is administered within a trust which is legally separate from the Company. The Trustee Board is appointed by both the Company and the Scheme's membership and acts in the 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 provides pension and lump sums to members on retirement and to dependants on death. The defined benefit section closed to future accrual of benefits on 30 June 2006 with the active members becoming entitled to a deferred pension. Members no longer pay contributions to the defined benefit section. Company contributions to the defined benefit section after this date are used to fund any deficit in the Scheme and the expenses associated with administering the Scheme, as determined by regular actuarial valuations.

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

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

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

A formal actuarial valuation was carried out as at 5 April 2015. The results of that valuation have been projected to 31 December 2017 by a qualified independent actuary. The figures in the following disclosure were measured using the projected unit method.

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

	2017 **£'000**	2016 £'000	2015 £'000
Present value of Scheme liabilities	**(350,554)**	(355,793)	(298,812)
Fair value of Scheme assets	**354,681**	360,069	302,239
Net amount recognised at year end (before any adjustments for deferred tax)	**4,127**	4,276	3,427

The current and past service costs, settlements 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 surplus are included in other comprehensive income.

	2017 **£'000**	2016 £'000
Net interest expense recognised in the Consolidated Income Statement	**477**	545
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in interest expense)	**(2,819)**	(59,837)
Loss arising from changes in financial assumptions	**10,158**	62,332
Gain arising from changes in demographic assumptions	**(7,667)**	–
Experience gain	**-**	(3,889)
Credit recorded in other comprehensive income	**(328)**	(1,394)
Total defined benefit charge / (credit)	**149**	(849)

The principal actuarial assumptions used were:

	2017 £'000	2016 £'000
Liability discount rate	**2.50%**	2.65%
Inflation assumption – RPI	**3.15%**	3.20%
Inflation assumption – CPI	**2.15%**	2.20%
Rate of increase in salaries	**n/a**	n/a
Revaluation of deferred pensions	**2.15%**	2.20%
Increases for pensions in payment:		
CPI pension increases (maximum 5% p.a.)	**2.15%**	2.20%
CPI pension increases (maximum 5% p.a., minimum 3% p.a.)	**3.20%**	3.10%
CPI pension increases (maximum 3% p.a.)	**1.95%**	2.10%
Proportion of employees opting for early retirement	**0%**	0%
Proportion of employees commuting pension for cash	**50.0%**	50.0%
Mortality assumption – before retirement	**Same as post retirement**	Same as post retirement
Mortality assumption – after retirement (males)	**S2PMA tables**	S2PMA tables
Loading	**105%**	105%
Projection basis	**Year of birth CMI_2016 1.0%**	Year of birth CMI_2015 1.0%
Mortality assumption – after retirement (females)	**S2PFA tables**	S2PFA tables
Loading	**105%**	105%
Projection basis	**Year of birth**	Year of birth
	CMI_2016 1.0%	CMI_2015 1.0%
Future expected lifetime of current pensioner at age 65:		
Male aged 65 at year end	**86.2**	86.5
Female aged 65 at year end	**88.0**	88.5
Future expected lifetime of future pensioner at age 65:		
Male aged 45 at year end	**87.2**	87.8
Female aged 45 at year end	**89.2**	89.8

10 Acquisition of subsidiary

On 19 October 2017, Marshalls Mono Limited acquired 100 per cent of the issued share capital of CPM Group Limited, a precast concrete manufacturer which specialises in underground water management solutions. The acquisition is in line with the Group's 2020 Strategy. CPM Group Limited operates within the United Kingdom and is registered in England and Wales.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Provisional fair values acquired £'000
Land buildings	**8,437**
Plant, machinery and vehicles	**7,639**
Identifiable intangible assets	**7,233**
Inventory	**4,580**
Trade and other receivables	**12,334**
Cash and cash equivalents	**(2,955)**
Trade and other payables	**(16,931)**
Provisions	**(11,840)**
Borrowings	**(3,407)**
Corporation tax	**(1,825)**
Deferred tax	**(2,138)**
Total identifiable assets	**1,127**
Goodwill	**25,145**
Initial cash consideration	**26,272**
Monies paid into escrow	**12,000**
Total cash payments in connection with the acquisition	**38,272**

Analysis of amounts paid in connection with the acquisition

Total cash payments	**38,272**
Net borrowings acquired	**2,955**
	41,227

Initial cash consideration paid to the vendors was £26,272,000 and, in addition, a further £12,000,000 was paid into an escrow account in relation to certain ongoing legal and regulatory matters identified during the course of due diligence carried out prior to concluding the acquisition. Provisions of £11,840,000 have been recorded at the date of acquisition for the estimated liabilities arising from concluding these ongoing matters. The Group has a right of reimbursement of amounts held in an escrow account to the extent that any liability crystallises in respect of these ongoing legal and regulatory matters to enable the Group to settle these liabilities, up to the full value of the £12,000,000 held in escrow and consequently a reimbursement asset of £12,000,000 has been recognised within other debtors. To the extent that any liabilities arising from these ongoing legal and regulatory matters are resolved at a lower amount than the escrow balances, the excess balance remaining in escrow is payable to the vendors as additional consideration.

Due to their contractual dates, the fair value of the receivables (shown above) approximate to the gross contractual amounts receivable. The amount of gross contractual receivables not expected to be recovered is immaterial.

The goodwill arising from the acquisition represents the opportunity to grow by utilising the capabilities and technical expertise of the acquired workforce and by developing synergistic opportunities. The goodwill arising from the acquisition is not expected to be deductible for income tax purposes.

Transaction costs incurred on acquisition were £837,000 and these have been fully expensed in the period.

CPM Group Limited contributed revenue of £9,017,000 and profit of £749,000 to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition of CPM Group Limited had been completed on the first day of the financial year, Group revenue for the period would have been £485,532,000 and Group profit would have been £56,255,000.

11 Analysis of net debt

	1 January 2017 £'000	Cash flow £'000	On acquisition of subsidiary undertaking £'000	Other changes £'000	**31 December 2017 £'000**
Cash at bank and in hand	20,681	1,925	(2,955)	194	**19,845**
Debt due after 1 year	(14,975)	(25,413)	(2,847)	(648)	**(43,883)**
Finance leases	(293)	594	(560)	-	**(259)**
	5,413	(22,894)	(6,362)	(454)	**(24,297)**

Reconciliation of net cash flow to movement in net debt

	2017 £'000	2016 £'000
Net increase / (decrease) in cash equivalents	**1,925**	(4,680)
Cash (inflow) / outflow from decrease in debt and lease financing	**(24,819)**	23,831
On acquisition of subsidiary undertaking	**(6,362)**	-
Effect of exchange rate fluctuations	**(454)**	(2,276)
Movement in net debt in the year	**(29,710)**	16,875
Net debt at 1 January	**5,413**	(11,462)
Net debt at 31 December	**(24,297)**	5,413

Borrowing facilities

The total bank borrowing facilities at 31 December 2017 amounted to £115.0 million (2016: £95.0 million), of which £71.1 million (2016: £80.0 million) remained unutilised. There are additional seasonal bank working capital facilities of £10.0 million available between 1 February and 31 August each year. The undrawn facilities available at 31 December 2017, in respect of which all conditions precedent had been met, were as follows:

	2017 £'000	2016 £'000
Committed:		
Expiring in more than 2 years but not more than 5 years	**50,617**	65,025
Expiring in 1 year or less	**5,500**	–
Uncommitted:		
Expiring in 1 year or less	**15,000**	15,000
	71,117	80,025

On 17 August 2017, the Group renewed its short-term working capital facilities of £25.0 million. On 16 October 2017 the Group took out an additional committed facility of £20.0 million with a 2022 maturity date. The committed facilities are all revolving credit facilities with interest charged at variable rates based on LIBOR. The Group's bank facilities continue to be aligned with the current strategy to ensure that headroom against available facilities remains at appropriate levels.

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

	Facility £'000	Cumulative facility £'000
Committed facilities:		
Q3: 2022	20,000	20,000
Q3: 2021	20,000	40,000
Q3: 2020	20,000	60,000
Q3: 2019	20,000	80,000
Q3: 2018	20,000	100,000
On-demand facilities:		
Available all year	15,000	115,000
Seasonal (February to August inclusive)	10,000	125,000

12 Principal risks and uncertainties

The principal risks and uncertainties that could impact the Group for the remainder of the current financial year are set out in the 2017 Annual Report. These cover the strategic, financial and operational risks.

Strategic risks include those relating to general economic conditions, Government policy, the actions of customers, suppliers and competitors and also weather conditions. Cyber risk within the wider market is also an increasing risk for the Group and an area of major focus. 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.

External operational risks include the weather, political and economic conditions, the effect of legislation or other regulatory actions, the actions of competitors, raw material prices and threats from cyber security, new technologies and business models. Internal operational risks include investment in new products, new business strategies, acquisitions and the integration of CPM.

The Group continues to monitor all these risks and pursue policies that take account of, and mitigate, the risks where possible.

13 Annual General Meeting

The Annual General Meeting will be held at The Holiday Inn, Clifton Village, Brighouse, HD6 4HW at 11.00am on Wednesday 9 May 2018.

The Board

The Directors serving during the year ended 31 December 2017 were as follows:

Andrew Allner	Chairman
Janet Ashdown	Non-Executive Director
Jack Clarke	Finance Director
Martyn Coffey	Chief Executive
Mark Edwards	Non-Executive Director (retired 10 May 2017)
Tim Pile	Non-Executive Director
Graham Prothero	Non-Executive Director (appointed 10 May 2017)

By order of the Board
Cathy Baxandall
Company Secretary
14 March 2018

Cautionary Statement

This Preliminary Results announcement 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 Preliminary Results announcement should be construed as a profit forecast.

Directors' Liability

Neither the Company nor the Directors accept any liability to any person in relation to the contents of this Preliminary Results announcement except to the extent that such liability arises 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.