Embargoed until 07:00 on Thursday 14th March 2019

Marshalls

Preliminary results for the year ended 31 December 2018

Marshalls plc, the specialist Landscape Products Group, announces its full year results for the year ended 31 December 2018.

Financial Highlights	Year ended 31 December 2018	Year ended 31 December 2017	Increase %
Revenue	£491.0m	£430.2m	14
EBITDA	£80.8m	£67.9m	19
Operating profit	£64.8m	£53.4m	21
Profit before tax	£62.9m	£52.1m	21
Basic EPS	26.29p	21.52p	22
Total dividends – ordinary and supplementary	16.00p	14.20p	13
Final ordinary dividend - recommended	8.00p	6.80p	18
Supplementary dividend - recommended	4.00p	4.00p	-
Return on capital employed (“ROCE”)	21.9%	20.8%	↑ up 110 basis points
Net debt	£37.4m	£24.3m	

Note

(1) 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 14% to £491.0 million (2017: £430.2 million)
- Profit before tax up 21% to £62.9 million (2017: £52.1 million)
- ROCE improved 110 basis points to 21.9% (2017: 20.8%) and on a like-for-like basis (excluding the acquisition of Edenhall) ROCE was 23.3% (2017: 24.8%)
- EPS up 22% to 26.29 pence (2017: 21.52 pence)
- Strong cash generation has continued with Group operating cash flow at 92% of EBITDA
- Net debt of £37.4 million (2017: £24.3 million) reflects cash outflow of £16.4 million relating to the Edenhall acquisition
- Final ordinary dividend increased by 18% to 8.00 pence (2017: 6.80 pence) per share
- Supplementary dividend of 4.00 pence (2017: 4.00 pence) per share, reflecting better than expected year end debt levels
- Strong trading start to 2019 – sales up 16% including Edenhall (up 8% underlying) in first 2 months

Delivering our strategic growth objectives:

- EBITDA growth continues alongside improved ROCE, strong cash flows and a strengthened brand
- Self help programme well advanced and delivering efficiency gains
- Organic capital investment continuing strongly
- Research and development expenditure continues to be increased
- Focus on innovation, new product development and service to drive sales growth
- Focus on increasing profitability of the emerging UK businesses continues
- Wide-ranging digital strategy gaining momentum and continuing to drive real benefits across the business
- Integrating CPM and Edenhall and continue to target selective bolt-on acquisitions
- Maintain a 2 times dividend cover policy

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

“The Group delivered a strong result in 2018 and continues to outperform the Construction Products Association’s (“CPA”) growth figures, despite ongoing macro-economic and Brexit uncertainty. The CPA’s recent Winter Forecast predicted a decrease in UK market volumes of 0.2 per cent in 2018, followed by an increase of 0.3 per cent in 2019. However, our recent trading has been strong and the underlying indicators in the New Build Housing, Road, Rail and Water Management markets remain supportive to our growth strategy and plans.

Good progress has been made during the year, notably the successful integration of CPM and the ongoing self help programme to drive organic growth and these have been enhanced by the acquisition of Edenhall. The Group's focus remains the delivery of long-term sustainable growth, whilst maintaining a strong balance sheet and a flexible capital structure."

Enquiries:

Martyn Coffey Jack Clarke	Chief Executive Group Finance Director	Marshalls plc	+44(0)1422 314777
Andrew Jaques Charlie Barker		MHP Communications	+44(0)20 3128 8540

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/5c472b4cfb847413cc045078 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 9125: meeting code 1767284.

Group Results

Group revenue for the year ended 31 December 2018 was up 14 per cent at £491.0 million (2017: £430.2 million). This is a very positive result given the first 4 months of the year were affected by severe weather conditions. Revenue growth in the second half of the year was particularly strong at 17 per cent.

Sales in the Domestic end market, which represented approximately 29 per cent of Group sales, continue to outperform CPA forecasts and were up 3 per cent compared with the prior year period. Whilst the first half of the year was particularly affected by the severe weather, revenue growth in the second half of the year was up 7 per cent against the prior period. The survey of domestic installers at the end of February 2019 revealed order books of 10.0 weeks (2018: 10.8 weeks) which compared with 10.8 weeks at the end of October 2018.

Sales in the Public Sector and Commercial end market, which represented approximately 66 per cent of Group sales, were up 20 per cent compared with 2017. This included a full year contribution from CPM.

The core Commercial and Domestic businesses continue to deliver benefits from operational efficiency improvements. The strong performance of our Landscape Protection business in the second half of the year and the growth in the sustainable profitability of our emerging UK businesses remain a key part of the Group's strategy. The organic growth of protective security street furniture continues with strong focus on new product development and new target markets.

International revenue grew by 4 per cent during 2018 and represents approximately 5 per cent of Group sales. Marshalls has made continued progress in developing the International business and its trading performance has improved in line with revenue growth.

Profit before tax increased by 21 per cent to £62.9 million (2017: £52.1 million) and EBITDA increased by 19 per cent to £80.8 million (2017: £67.9 million). Basic EPS was 26.29 pence (2017: 21.52 pence), an increase of 22 per cent.

ROCE remained strong and, notwithstanding the acquisition of Edenhall in December 2018, was 21.9 per cent (2017: 20.8 per cent), on a reported basis, at 31 December 2018. On a like-for-like basis (excluding the acquisition of Edenhall), ROCE was 23.3 per cent (2017: 24.8 per cent). Capital employed increased by 16.1 per cent to £304.1 million (2017: £261.9 million) following the acquisition of Edenhall. The consistently high ROCE reflects the Group's focus on capital structure and the tight control and management of inventory and monetary working capital.

Net finance costs were £1.9 million (2017: £1.4 million) and interest was covered 34.1 times (2017: 38.5 times). Interest charges on bank loans totalled £1.4 million (2017: £1.0 million) and, including scheme administration costs, there was an IAS 19 notional interest charge of £0.5 million (2017: £0.4 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 18.0 per cent (2017: 19.1 per cent). The Group paid £9.9 million (2017: £10.5 million) of corporation tax during the year. Deferred tax of £1.7 million in relation to the actuarial gain arising on the defined benefit Pension Scheme in the year has been taken to the Consolidated Statement of Comprehensive Income.

For the fifth year running, Marshalls has been awarded the Fair Tax Mark which recognises social responsibility and transparency in a company's tax affairs. The Group's tax 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. Taking into account not only corporation tax paid but also the PAYE and NI paid on our employee wages, aggregate levy, VAT, fuel duty and business rates Marshalls has funded total taxation receipts to the UK economy of £108 million during 2018.

Capital discipline remains a key priority for the Board and the Group's strong cash generation has continued in the year. Operating cash flow was 92 per cent of EBITDA. Net debt at 31 December 2018 of £37.4 million (2017: £24.3 million) was better than expected, even after the total cash outflow of £16.4 million in connection with the acquisition of Edenhall.

Acquisition of Edenhall
As previously announced, the Group acquired Edenhall Holdings Limited on 11 December 2018 for an initial cash consideration of £16.4 million including the take on of £4.7 million of existing Edenhall debt. The acquisition of Edenhall is in line with our stated Group strategy of expanding into adjacent building products related to New Build Housing. This is a strategic focus for Marshalls. Edenhall is a concrete brick manufacturer capable of providing a spectrum of colours, shades and textures to meet any specification requirements for facing bricks and specials. The acquisition will enable us to offer customers a broader product choice. The combination of Marshalls and Edenhall will build our specification ability for both brands and will also create leverage for our existing business in Mortars and Screeds. Trading since completion has been strong and integration is on track with our expectations.

Operating performance
During 2018, the ongoing development of the self help capital investment programme has been complemented by the acquisition of Edenhall and the successful integration of CPM.

Capital expenditure was £29.2 million in the year ended 31 December 2018, which included £17.0 million of additional, planned, self help investment. We continue to identify 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 as part of our growth strategy.

We continue to explore bolt-on acquisitions within our targeted growth sectors of New Build Housing, Water Management, Landscape Protection and Minerals. Our approach remains focused and any proposed acquisition target will be carefully assessed against strict investment criteria and will be thoroughly investigated during the detailed due diligence phase.

Marshalls' digital strategy remains a key priority and continued investment is being directed to enhancing the Group's digital capability. The aim is to provide our customers with world class experiences and the digital objective is to ensure they receive the right data, at the right time, in the right format. During 2018, we established a new platform for our Commercial end market customers which runs a state-of-the-art digital infrastructure that provides greater ability and a blueprint for future systems architecture. We are planning to release a new platform for our Domestic end market customers in 2019. Our web and mobile applications enable customers to model their requirements and allow full digital access. The digital strategy is underpinned by continuous improvement driven by data analysis and customer insight. We are integrating artificial intelligence in key transactional systems and, during 2019, we aim to create an artificial intelligence infrastructure upon which other business initiatives will be able to leverage.

New product development remains a key part of our strategy. In the core Landscape Products business, the growth in revenue from new products continued strongly and new product sales represented 12 per cent of total revenue in 2018. Our 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. Our new Surface Performance Technology paving products are generating increased sales, specifically in New Build Housing, which is one of our targeted growth areas.

The self help capital investment programme is continuing to improve operational and manufacturing efficiency. By way of example, we are now seeing significant efficiency benefits following the £3 million investment in a modern sawmill and production facility at Natural Stone Paving in 2017. The more recent new £3.5 million static crushing plant at Howley Park is capable of crushing 7 different products at one time and will both reduce operating costs and improve efficiency. In addition, the Group's in-house logistics fleet provides a competitive advantage and the vehicles have industry leading safety technology. With around 375,000 deliveries made each year, this remains part of the Group's operations where there are still further opportunities for improvement.

Marshalls is committed to safeguarding the health and safety of every employee and all stakeholders who may be affected by our undertakings. Maintaining the highest standards of health and safety remains a cornerstone of the Group's culture and we are committed to the continual improvement in health and safety performance. The achievement of annual health and safety improvement targets is directly linked to the remuneration of the Executive Directors and senior management.

Current priorities and operational strategy
The Group's 2020 Strategy has been successful and the results in 2018 demonstrate this. Our long-term strategy remains to grow the business, deliver increasing operating margins in all businesses and improve ROCE. We are mindful of increased political and economic uncertainties and a conservative approach is being taken to the

development of our strategic objectives over the longer term. We are currently developing our strategic plan for sustainable growth over the next 5 years and this will become the Group's 2023 Strategy.

During 2018, the potential impact of Brexit and wider economic and political uncertainties have been considered in the assessment of risk and strategic priorities. The Group has developed a detailed Brexit plan which includes specific mitigation measures within the supply chain to mitigate the risk of raw material shortages.

Capital allocation
The Group's capital allocation strategy remains to maintain a strong balance sheet and flexible capital structure that recognises cyclical risk, while focusing on security, efficiency and liquidity.

The Board's priorities for capital allocation are:

1. Organic growth – capital investment with £23 million planned for 2019;
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 New Build Housing, Water Management, Landscape Protection and Minerals; and
5. Supplementary dividends where Group financial resources allow such shareholder returns to be prudently made – these will remain discretionary and non-recurring.

Balance sheet and net debt
Net assets at 31 December 2018 were £266.7 million (2017: £237.6 million). The Group has a strong balance sheet with a good range of medium-term bank facilities available to fund investment initiatives to generate growth.
Net debt at 31 December 2018 was £37.4 million (2017: £24.3 million), which reflects the payment of initial consideration of £11.7 million in relation to the acquisition of Edenhall, together with the impact of taking on Edenhall's net borrowings of £4.7 million. The ratio of net debt to EBITDA was 0.46 times at 31 December 2018 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 continued focus on the close control of inventory and the effective management of working capital. The key working capital metrics are in line with the Group plan.

We have developed a detailed plan for the implementation of IFRS 16. Upon transition on 1 January 2019, the Group will recognise a right-of-use lease asset that is expected to be between £42 million and £47 million and a financial lease liability that is expected to be between £44 million and £51 million. A transition adjustment that is expected to be between £2 million and £4 million will be taken to retained earnings along with an opening deferred tax adjustment.

Dividends
The Board is recommending a final dividend of 8.00 pence per share (2017: 6.80 pence per share) which, together with the interim dividend of 4.00 pence per share (2017: 3.40 pence per share), makes a total ordinary dividend of 12.00 pence per share (2017: 10.20 pence per share), an increase of 18 per cent for the year.

The Board is also recommending a supplementary dividend of 4.00 pence per share for 2018 (2017: 4.00 pence per share). The payment of a discretionary supplementary dividend is in line with the Board's objective of maintaining an efficient capital structure whilst retaining capacity to invest in further growth opportunities. The Group's cash flows remain strong and permit us to recommend and maintain a supplementary dividend of 4.00 pence. The level of supplementary dividend reflects a better than expected year end debt position and this year provides increased total returns for shareholders whilst recognising the increased political and economic uncertainties caused by the prolonged Brexit negotiations. The Board will continue to adhere to the Group's capital allocation policy and the Group's policy of rewarding shareholders on the basis of maintaining a 2 times dividend cover.

Outlook
The Group delivered a strong result in 2018 and continues to outperform the Construction Products Association's ("CPA") growth figures, despite ongoing macro-economic and Brexit uncertainty. The CPA's recent Winter Forecast predicted a decrease in UK market volumes of 0.2 per cent in 2018, followed by an increase of 0.3 per cent in 2019. However, our recent trading has been strong and the underlying indicators in the New Build Housing, Road, Rail and Water Management markets remain supportive to our growth strategy and plans.

Good progress has been made during the year, notably, the successful integration of CPM and the ongoing self help programme to drive organic growth and these have been enhanced by the acquisition of Edenhall. The Group's focus remains the delivery of long-term sustainable growth, whilst maintaining a strong balance sheet and a flexible capital structure.

Marshalls plc
Preliminary Announcement of Results
Consolidated Income Statement
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Revenue	3	**490,988**	430,194
Net operating costs	4	**(426,154)**	(376,755)
Operating profit	3	**64,834**	53,439
Financial expenses	5	**(1,904)**	(1,388)
Financial income	5	**5**	–
Profit before tax	2	**62,935**	52,051
Income tax expense	6	**(11,307)**	(9,925)
Profit for the financial year		**51,628**	42,126
Profit for the year			
Attributable to:			
Equity shareholders of the Parent		**51,958**	42,503
Non-controlling interests		**(330)**	(377)
		51,628	42,126
Earnings per share			
Basic	7	**26.29p**	21.52p
Diluted	7	**26.08p**	21.37p
Dividend			
Pence per share	8	**14.80p**	12.20p
Dividends declared	8	**29,250**	24,105

All results relate to continuing operations.

Marshalls plc
Preliminary Announcement of Results
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2018

	2018 £'000	2017 £'000
Profit for the financial year	**51,628**	42,126
Other comprehensive income / (expense)		
Items that will not be reclassified to the Income Statement:		
Remeasurements of the net defined benefit asset	**9,985**	328
Deferred tax arising	**(1,698)**	(56)
Total items that will not be reclassified to the Income Statement	**8,287**	272
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	**528**	146
Fair value of cash flow hedges transferred to the Income Statement	**(668)**	(385)
Deferred tax arising	**27**	35
Exchange difference on retranslation of foreign currency net investment	**(208)**	179
Exchange movements associated with borrowings	**199**	(638)
Foreign currency translation differences – non-controlling interests	**(35)**	371
Total items that are or may be reclassified subsequently to the Income Statement	**(157)**	(292)
Other comprehensive income / (expense) for the year, net of income tax	**8,130**	(20)
Total comprehensive income for the year	**59,758**	42,106
Attributable to:		
Equity shareholders of the Parent	**60,123**	42,112
Non-controlling interests	**(365)**	(6)
	59,758	42,106

Marshalls plc
Preliminary Announcement of Results
Consolidated Balance Sheet
for the year ended 31 December 2018

	Notes	2018 £'000	2017* £'000
Assets			
Non-current assets			
Property, plant and equipment		**190,991**	169,093
Intangible assets		**89,645**	72,060
Employee benefits	9	**13,516**	4,127
Deferred taxation assets		**1,406**	2,775
		295,558	248,055
Current assets			
Inventories		**84,361**	77,859
Trade and other receivables		**80,430**	68,221
Cash and cash equivalents		**45,709**	19,845
Derivative financial instruments		**276**	447
		210,776	166,372
Total assets		**506,334**	414,427
Liabilities			
Current liabilities			
Trade and other payables		**121,953**	100,173
Corporation tax		**9,683**	9,299
Interest-bearing loans and borrowings		**2,974**	35
		134,610	109,507
Non-current liabilities			
Interest-bearing loans and borrowings		**80,168**	44,107
Provisions		**7,288**	8,200
Deferred taxation liabilities		**17,553**	14,986
		105,009	67,293
Total liabilities		**239,619**	176,800
Net assets		**266,715**	237,627
Equity			
Capital and reserves attributable to equity shareholders of the Parent			
Called-up share capital		**49,998**	49,845
Share premium account		**24,326**	22,695
Own shares		**(888)**	(2,359)
Capital redemption reserve		**75,394**	75,394
Consolidation reserve		**(213,067)**	(213,067)
Hedging reserve		**273**	386
Retained earnings		**329,585**	303,274
Equity attributable to equity shareholders of the Parent		**265,621**	236,168
Non-controlling interests		**1,094**	1,459
Total equity		**266,715**	237,627

* The comparatives have been restated as a result of a reassessment of the fair value of assets and liabilities acquired (Note 10).

Marshalls plc
Preliminary Announcement of Results
Consolidated Cash Flow Statement
for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Profit for the financial year		**51,628**	42,126
Income tax expense	6	**11,307**	9,925
Profit before tax		**62,935**	52,051
Adjustments for:			
Depreciation		**14,199**	13,314
Amortisation		**1,759**	1,142
Gain on sale of property, plant and equipment		**(738)**	(948)
Equity settled share-based payments		**534**	2,382
Financial income and expenses (net)		**1,899**	1,388
Operating cash flow before changes in working capital		**80,588**	69,329
(Increase) / Decrease in trade and other receivables		**(6,927)**	5,334
Increase in inventories		**(4,314)**	(4,252)
Increase / (Decrease) in trade and other payables		**6,909**	(320)
Operational restructuring costs paid		**(1,244)**	(1,217)
Acquisition costs paid		**(594)**	(193)
Cash generated from operations		**74,418**	68,681
Financial expenses paid		**(1,308)**	(911)
Income tax paid		**(9,855)**	(10,465)
Net cash flow from operating activities		**63,255**	57,305
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1,637**	3,891
Financial income received		**5**	–
Acquisition of subsidiary undertaking		**(11,726)**	(41,227)
Acquisition of property, plant and equipment		**(27,296)**	(18,895)
Acquisition of intangible assets		**(1,995)**	(1,750)
Net cash flow from investing activities		**(39,375)**	(57,981)
Cash flows from financing activities			
Proceeds from issue of share capital		**1,784**	–
Payments to acquire own shares		**(1,210)**	(1,068)
Payment in respect of share-based payment awards		**(3,683)**	–
Increase in debt on acquisition of subsidiaries		**(4,742)**	(3,407)
Net increase in other debt and finance leases		**39,000**	28,226
Equity dividends paid		**(29,250)**	(24,105)
Net cash flow from financing activities		**1,899**	(354)
Net increase/ (decrease) in cash and cash equivalents		**25,779**	(1,030)
Cash and cash equivalents at the beginning of the year		**19,845**	20,681
Effect of exchange rate fluctuations		**85**	194
Cash and cash equivalents at the end of the year		**45,709**	19,845

Marshalls plc
Preliminary Announcement of Results
Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

	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 2018	**49,845**	**22,695**	**(2,359)**	**75,394**	**(213,067)**	**386**	**303,274**	**236,168**	**1,459**	**237,627**
Total comprehensive income for the year										
Profit for the financial year attributable to equity shareholders of the Parent	**-**	**-**	**-**	**-**	**-**	**-**	**51,958**	**51,958**	**(330)**	**51,628**
Other comprehensive income / (expense)										
Foreign currency translation differences	**-**	**-**	**-**	**-**	**-**	**-**	**(9)**	**(9)**	**(35)**	**(44)**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**-**	**-**	**-**	**528**	**-**	**528**	**-**	**528**
Net change in fair value of cash flow hedges transferred to the Income Statement	**-**	**-**	**-**	**-**	**-**	**(668)**	**-**	**(668)**	**-**	**(668)**
Deferred tax arising	**-**	**-**	**-**	**-**	**-**	**27**	**-**	**27**	**-**	**27**
Defined benefit plan actuarial gain	**-**	**-**	**-**	**-**	**-**	**-**	**9,985**	**9,985**	**-**	**9,985**
Deferred tax arising	**-**	**-**	**-**	**-**	**-**	**-**	**(1,698)**	**(1,698)**	**-**	**(1,698)**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(113)**	**8,278**	**8,165**	**(35)**	**8,130**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(113)**	**60,236**	**60,123**	**(365)**	**59,758**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**(2,249)**	**(2,249)**	**-**	**(2,249)**
Deferred tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**(171)**	**(171)**	**-**	**(171)**
Corporation tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**426**	**426**	**-**	**426**
Dividends to equity shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(29,250)**	**(29,250)**	**-**	**(29,250)**
Shares issued	**153**	**1,631**	**-**	**-**	**-**	**-**	**-**	**1,784**	**-**	**1,784**
Purchase of own shares	**-**	**-**	**(1,210)**	**-**	**-**	**-**	**-**	**(1,210)**	**-**	**(1,210)**
Disposal of own shares	**-**	**-**	**2,681**	**-**	**-**	**-**	**(2,681)**	**-**	**-**	**-**
Total contributions by and distributions to owners	**153**	**1,631**	**1,471**	**-**	**-**	**-**	**(33,925)**	**(30,670)**	**-**	**(30,670)**
Total transactions with owners of the Company	**153**	**1,631**	**1,471**	**-**	**-**	**(113)**	**26,311**	**29,453**	**(365)**	**29,088**
At 31 December 2018	**49,998**	**24,326**	**(888)**	**75,394**	**(213,067)**	**273**	**329,585**	**265,621**	**1,094**	**266,715**

Marshalls plc
Preliminary Announcement of Results
Consolidated Statement of Changes in Equity (continued)
for the year ended 31 December 2018

	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 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

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 2018, this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full Consolidated Financial Statements in April 2019.

The Financial Information set out in this Preliminary Announcement does not constitute the Company's Consolidated Financial Statements for the years ended 31 December 2018 or 2017, but is derived from those Financial Statements. Statutory Financial Statements for 2017 have been delivered to the Registrar of Companies and those for 2018 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 2018 or 2017.

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.

Adoption of new standards in 2018
IFRS 15, *"Revenue from Contracts with Customers"* superceded IAS 18, *"Revenue"*, and has been adopted from 1 January 2018. IFRS 15 establishes a principles-based approach to revenue recognition and measurement based on the concept of recognising revenue when performance obligations are satisfied. The adoption has not had any material impact on the disclosures or on the amounts reported in these Consolidated Financial Statements.

IFRS 9, *"Financial Instruments",* has been adopted from 1 January 2018. IFRS 9 has introduced new classification and measurement requirements for financial assets and financial liabilities. These changes have not had a material impact on the Group's 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 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these Consolidated Financial Statements.

Amendments to IFRS 2: "*Classification and Measurement of Share-based Payment Transactions."*	The amendments clarify the following: a. In estimating the fair value of a cash settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity settled share-based payments; b. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a "net settlement feature", such an arrangement should be classified as equity settled in its entirety, provided that the share-based payment would have been classified as equity settled had it not included the net settlement feature; and c. How the modification of a share-based payment that changes the transaction from cash settled to equity settled should be accounted for.
Amendments to IAS 40: *"Transfers of Investment Property.*"	The Group has adopted the amendments to IAS 40 *"Transfers of Investment Property"* for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).
"Annual Improvements to IFRSs 2014-2016 Cycle."	The Group has adopted the amendments to IAS 28 included in the *"Annual Improvements to IFRS Standards 2014-2016 Cycle"* for the first time in the current year. The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition. In respect of the option for an entity that is not an investment entity to retain the fair value measurement applied by its associates and joint ventures that are investment entities when applying the equity method, the amendments make a similar clarification that this choice is available for each investment entity associate or investment entity joint venture.

IFRIC 22 Foreign Currency *"Transactions and Advance Consideration."*	IFRIC 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

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 (amendments)	*"Prepayment Features with Negative Compensation"* (effective 1 January 2019)
IAS 28 (amendments)	*"Long-term Interests in Associates and Joint Ventures"* (effective 1 January 2019)
IAS 19 (amendments)	*"Plan Amendment, Curtailment or Settlement"* (effective 1 January 2019)
IFRS 17	*"Insurance Contracts"* (effective 1 January 2021)
IAS 1 and IAS 8	*"Definition of Material"* (effective 1 January 2020)
IAS Conceptual Framework	*"Definition of Material"* (effective 1 January 2020)
"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"* (effective 1 January 2019)
IFRIC 23	*"Uncertainty over Income Tax Treatments"* (effective 1 January 2019)

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 16, *"Leases"*

IFRS 16 is effective from 1 January 2019 and replaces IAS 17 *"Leases"* and related interpretations. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed.

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 are 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.

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.

In adopting IFRS 16 from 1 January 2019, the Group is applying the modified retrospective transition approach and will not restate comparative amounts for the year ended 31 December 2018. For certain leases the Group has elected to measure the right-of-use asset as if IFRS 16 had been applied since the start of the lease, but using the incremental borrowing rate at 1 January 2019, with the difference between the right-of-use asset and the lease liability taken to retained earnings. In other cases, the Group is electing to measure right-of-use assets at the amount of the lease liability on adoption (adjusted for any lease prepayments or accrued lease expenses, onerous lease provisions and leased assets which have subsequently been sub-leased). The Group has elected to adopt the following practical expedients on transition:

- where an onerous lease provision is in existence, to utilise this provision to reduce the right-of-use asset value rather than undertaking an impairment review;
- to use hindsight in determining the lease term;
- to exclude initial direct costs from the measurement of the right-of-use asset; and
- to apply the portfolio approach where a group of leases has similar characteristics.

Impact of adoption of IFRS 16, *"Leases"*

Upon transition on 1 January 2019, the Group will recognise a right-of-use lease asset that is expected to be between £42 million and £47 million and a financial lease liability that is expected to be between £44 million and £51 million. A transition adjustment that is expected to be between £2 million and £4 million will be taken to retained earnings along with an opening deferred taxation adjustment.

The change in presentation, as a result of the adoption of IFRS 16, will see an improvement in cash flow generated from operating activities, offset by a corresponding decline in cash flow from financing activities. There is no overall cash flow impact from the adoption of the new standard.

Depreciation of the right-of-use asset will be recognised in the Income Statement 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 Income Statement over the life of the lease. These charges will replace the lease costs currently charged to the Income Statement.

The Group results announcement for the half year ending 30 June 2019 will be the first to be prepared under IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of £66.5 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.

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 9 August 2018. 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 2018, certain APMs are required as a consequence of the acquisition of Edenhall on 11 December 2018 in order to ensure comparability with the prior year period. 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.

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.

	2018	2017	Increase
	£'000	£'000	%
Reported revenue	**490,988**	430,194	14%
Edenhall post-acquisition revenue	**(675)**	-	
Like-for-like revenue	**490,313**	430,194	14%

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.

	2018	2017	Increase
	£'000	£'000	%
EBITDA	**80,792**	67,895	19%
Depreciation	**(14,199)**	(13,314)	
EBITA	**66,593**	54,581	
Amortisation of intangible assets	**(1,759)**	(1,142)	
Operating profit	**64,834**	53,439	21%

ROCE

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

	2018 £'000	2017 £'000
EBITA	**66,593**	54,581
Shareholders' funds	**266,715**	237,627
Net debt	**37,433**	24,297
	304,148	261,924
Reported ROCE	**21.9%**	20.8%

ROCE on a like-for-like basis (excluding the impact of acquisitions) includes adjustments to report the calculation on a basis that eliminates the impact of the acquisition of Edenhall in 2018 and CPM in 2017. This ensures comparability with the prior year period.

	2018 £'000	2017 £'000
Reported EBITA	**66,593**	54,581
Post-acquisition EBIT	**(21)**	(749)
Amortisation of intangible assets in year of acquisition	**17**	132
Acquisition costs	**375**	837
Adjusted EBITA	**66,964**	54,801
Shareholders funds	**266,715**	237,627
Net debt	**37,433**	24,297
	304,148	261,924
Impact on net debt arising from the acquisitions in the year	**(16,468)**	(41,227)
As adjusted	**287,680**	220,697
ROCE on a like-for-like basis (excluding the impact of acquisitions)	**23.3%**	24.8%

3 Segmental analysis

Segment revenues and results

	2018			2017		
	Landscape Products £'000	Other £'000	Total £'000	Landscape Products £'000	Other £'000	Total £'000
Total revenue	**398,128**	**96,943**	**495,071**	339,655	94,622	434,277
Inter-segment revenue	**(228)**	**(3,855)**	**(4,083)**	(226)	(3,857)	(4,083)
External revenue	**397,900**	**93,088**	**490,988**	339,429	90,765	430,194
Segment operating profit	**68,418**	**2,095**	**70,513**	56,104	1,873	57,977
Unallocated administration costs			**(5,679)**			(4,538)
Operating profit			**64,834**			53,439
Finance charges (net)			**(1,899)**			(1,388)
Profit before tax			**62,935**			52,051
Taxation			**(11,307)**			(9,925)
Profit after tax			**51,628**			42,126

The Group has 2 customers which 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 one integrated production, logistics and distribution network supporting both end markets.

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. Following the acquisition, the Edenhall business has been included within "Other".

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

	2018	2017*

	2018 £'000	2017 £'000
Fixed assets and inventory:		
Landscape Products	**201,489**	182,391
Other	**73,863**	64,561
Total segment fixed assets and inventory	**275,352**	246,952
Unallocated assets	**230,982**	167,475
Consolidated total assets	**506,334**	414,427

* The comparatives have been restated as a result of a reassessment of the fair value of assets and liabilities acquired (Note 10).

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	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Landscape Products	**13,251**	10,878	**21,060**	17,041
Other	**2,707**	3,578	**6,256**	5,445
	15,958	14,456	**27,316**	22,486

Geographical destination of revenue

	2018	2017
	£'000	£'000
United Kingdom	**467,032**	407,215
Rest of the world	**23,956**	22,979
	490,988	430,194

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

	2018	2017
	£'000	£'000
Raw materials and consumables	**172,175**	151,343
Changes in inventories of finished goods and work in progress	**6,267**	7,231
Personnel costs	**116,588**	100,811
Depreciation	**14,199**	13,314
Amortisation of intangible assets	**1,759**	1,142
Own work capitalised	**(3,340)**	(1,919)
Other operating costs	**120,187**	106,569
Operational restructuring costs	**1,244**	1,217
Acquisition costs	**375**	837
Operating costs	**429,454**	380,545
Other operating income	**(2,562)**	(2,842)
Net gain on asset and property disposals	**(738)***	(948)
Net operating costs	**426,154**	376,755

*This reflects the proceeds of the sale of a domain name and is net of associated digital strategy costs.

5 Financial expenses and income

	2018	2017
	£'000	£'000
(a) Financial expenses		
Net interest expense on defined benefit pension scheme	**496**	377
Interest expense on bank loans, overdrafts and loan notes	**1,403**	1,005
Finance lease interest expense	**5**	6
	1,904	1,388
(b) Financial income		
Interest receivable and similar income	**5**	–

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

6 Income tax expense

	2018	2017

	£'000	£'000
Current tax expense		
Current year	**11,269**	11,554
Adjustments for prior years	**(934)**	(732)
	10,335	10,822
Deferred taxation expense		
Origination and reversal of temporary differences:		
Current year	**921**	(797)
Adjustments for prior years	**51**	(100)
Total tax expense	**11,307**	9,925

	2018 %	2018 £'000	2017 %	2017 £'000
Reconciliation of effective tax rate				
Profit before tax	**100.0**	**62,935**	100.0	52,051
Tax using domestic corporation tax rate	**19.0**	**11,957**	19.3	10,020
Impact of capital allowances in excess of depreciation	**(0.6)**	**(402)**	0.3	184
Short-term timing differences	**0.9**	**595**	1.2	630
Adjustment to tax charge in prior year	**(1.5)**	**(934)**	(1.4)	(732)
Expenses not deductible for tax purposes	**(1.4)**	**(881)**	1.4	720
Corporation tax charge for the year	**16.4**	**10,335**	20.8	10,822
Impact of capital allowances in excess of depreciation	**(0.2)**	**(130)**	(1.2)	(618)
Short-term timing differences	**1.8**	**1,139**	(0.2)	(103)
Pension scheme movements	**(0.2)**	**(101)**	(0.1)	(77)
Other items	**0.5**	**300**	1.0	532
Adjustment to tax charge in prior year	**0.1**	**51**	(0.2)	(100)
Impact of the change in the rate of corporation tax on deferred taxation	**(0.4)**	**(287)**	(1.0)	(531)
Total tax charge for the year	**18.0**	**11,307**	19.1	9,925

The net amount of deferred taxation (debited) / credited to the Consolidated Statement of Comprehensive Income in the year was £1,671,000 debit (2017: £21,000 debit).

The majority of the Group's profits are earned in the UK with the standard rate of corporation tax being 19.0 per cent for the year to 31 December 2018.

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 2018 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.

Additional shares vesting in March 2018 have impacted corporation tax (in expenses not deductible for tax purposes) and deferred tax (in short-term timing differences).

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 2018. In total, the trading profits were not material and no tax was due.

7 Earnings per share

Basic earnings per share of 26.29 pence (2017: 21.52 pence) per share is calculated by dividing the profit attributable to Ordinary Shareholders for the financial year, after adjusting for non-controlling interests, of £51,958,000 (2017: £42,503,000) by the weighted average number of shares in issue during the period of 197,669,293 (2017: 197,518,109).

Profit attributable to Ordinary Shareholders

	2018 **£'000**	2017 £'000
Profit for the financial year	**51,628**	42,126
Loss attributable to non-controlling interests	**330**	377
Profit attributable to Ordinary Shareholders	**51,958**	42,503

Weighted average number of Ordinary Shares

	2018 **Number**	2017 Number
Number of issued Ordinary Shares	**199,419,571**	199,378,755
Effect of shares transferred into Employee Benefit Trust	**(1,750,278)**	(1,860,646)
Weighted average number of Ordinary Shares at the end of the year	**197,669,293**	197,518,109

Diluted earnings per share of 26.08 pence (2017: 21.37 pence) per share is calculated by dividing the profit for the financial year, after adjusting for non-controlling interests, of £51,958,000 (2017: £42,503,000) by the weighted average number of shares in issue during the period of 197,669,293 (2017: 197,518,109) plus potentially dilutive shares of 1,548,929 (2017: 1,384,707), which totals 199,218,222 (2017: 198,902,816).

Weighted average number of Ordinary Shares (diluted)

	2018 **Number**	2017 Number
Weighted average number of Ordinary Shares	**197,669,293**	197,518,109
Potentially dilutive shares	**1,548,929**	1,384,707
Weighted average number of Ordinary Shares (diluted)	**199,218,222**	198,902,816

8 Dividends

After the balance sheet date a final dividend of 8.00 pence (2017: 6.80 pence) per qualifying Ordinary Share was proposed by the Directors. In addition a supplementary dividend of 4.00 pence (2017: 4.00 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	**2018** **£'000**	2017 £'000
2018 supplementary	**4.00**	**7,930**	
2018 final	**8.00**	**15,860**	
2018 interim	**4.00**	**7,906**	
	16.00	**31,696**	
2017 supplementary	4.00		7,904
2017 final	6.80		13,436
2017 interim	3.40		6,718
	14.20		28,058

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

	Pence per qualifying share	**2018** **£'000**	2017 £'000
2018 interim	**4.00**	**7,906**	
2017 supplementary	**4.00**	**7,905**	
2017 final	**6.80**	**13,439**	
	14.80	**29,250**	
2017 interim	3.40		6,718
2016 supplementary	3.00		5,927
2016 final	5.80		11,460
	12.20		24,105

The Board recommends a 2018 final dividend of 8.00 pence per qualifying Ordinary Share (amounting to £15,860,000), alongside a supplementary dividend of 4.00 pence per qualifying Ordinary Share (amounting to £7,930,000), to be paid on 28 June 2019 to shareholders registered at the close of business on 7 June 2019.

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 2018 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:

	2018	2017	2016
	£'000	£'000	£'000
Present value of Scheme liabilities	**(330,222)**	(350,554)	(355,793)
Fair value of Scheme assets	**343,738**	354,681	360,069
Net amount recognised at the year end (before any adjustments for deferred tax)	**13,516**	4,127	4,276

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 Consolidated Statement of Comprehensive Income. Remeasurements of the net defined benefit surplus are included in other comprehensive income.

Following the High Court ruling in the Lloyds Banking case, an adjustment of £1.5 million has been made to increase Scheme liabilities for GMP equalisation. This has been recorded in the current year Income Statement as a past service cost.

	2018	2017
	£'000	£'000
Net interest expense recognised in the Consolidated Income Statement	**596**	477
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in interest expense)	**7,872**	(2,819)
(Gain) / loss arising from changes in financial assumptions	**(16,326)**	10,158
Gain arising from changes in demographic assumptions	**(1,531)**	(7,667)
Credit recorded in other comprehensive income	**(9,985)**	(328)
Total defined benefit (credit) / charge	**(9,389)**	149

The principal actuarial assumptions used were:

	2018 **£'000**	2017 £'000
Liability discount rate	**2.75%**	2.50%
Inflation assumption – RPI	**3.15%**	3.15%
Inflation assumption – CPI	**2.15%**	2.15%
Rate of increase in salaries	**n/a**	n/a
Revaluation of deferred pensions	**2.15%**	2.15%
Increases for pensions in payment:		
CPI pension increases (maximum 5% p.a.)	**2.15%**	2.15%
CPI pension increases (maximum 5% p.a., minimum 3% p.a.)	**3.20%**	3.20%
CPI pension increases (maximum 3% p.a.)	**1.95%**	1.95%
Proportion of employees opting for early retirement	**0%**	0%
Proportion of employees commuting pension for cash	**50%**	50.0%
Mortality assumption – before retirement	**Same as post retirement**	Same as post retirement
Mortality assumption – after retirement (males)	**S2PXA tables**	S2PMA tables
Loading	**105%**	105%
Projection basis	**Year of birth**	Year of birth
	CMI_2017 1.0%	CMI_2016 1.0%
Mortality assumption – after retirement (females)	**S2PXA tables**	S2PFA tables
Loading	**105%**	105%
Projection basis	**Year of birth**	Year of birth
	CMI_2017 1.0%	CMI_2016 1.0%
Future expected lifetime of current pensioner at age 65:		
Male aged 65 at year end	**86.1**	86.2
Female aged 65 at year end	**88.0**	88.0
Future expected lifetime of future pensioner at age 65:		
Male aged 45 at year end	**87.1**	87.2
Female aged 45 at year end	**89.2**	89.2

10 Acquisition of subsidiary

On 11 December 2018, Marshalls Mono Limited acquired 100 per cent of the issued share capital of Edenhall Holdings Limited, a concrete brick manufacturer. Edenhall Holdings Limited operates within the UK and is registered in England and Wales. The fair values acquired are disclosed as provisional given that the acquisition was made on 11 December 2018.

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

	2018 Edenhall provisional fair values acquired £'000	2017 CPM fair values acquired £'000
Land and buildings	**3,915**	8,437
Plant, machinery and vehicles	**7,116**	7,639
Identifiable intangible assets	**3,897**	7,233
Inventories	**2,105**	4,580
Trade and other receivables	**5,726**	12,334
Cash and cash equivalents	**33**	(2,955)
Trade and other payables	**(12,192)**	(19,552)
Provisions	**(1,000)**	(8,200)
Borrowings	**(3,959)**	(3,407)
Finance leases	**(783)**	-
Corporation tax	**(692)**	(1,825)
Deferred tax	**(1,120)**	(2,138)
Total identifiable net assets	**3,046**	2,146
Goodwill	**12,033**	25,545
Total consideration		
Satisfied by:		
Cash consideration	**10,759**	27,691
Deferred consideration	**1,900**	-
Contingent consideration	**2,420**	-
Total cost of investment	**15,079**	27,691
Monies paid into escrow	**1,000**	10,581
	16,079	38,272
Analysis of amounts paid in connection with the acquisition		
Total cash payments	**11,759**	38,272
Net (cash) / borrowings acquired	**(33)**	2,955
Total cash outflow in connection with the acquisition	**11,726**	41,227

Acquisition of Edenhall Holdings Limited

Initial cash consideration paid to the vendors was £10,759,000 and, in addition, a further £1,000,000 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. The Group has a right to be reimbursed from amounts held in escrow to the extent that any liability crystallises in respect of these ongoing legal and regulatory matters, up to the full value of the £1,000,000 held in escrow and consequently a reimbursement asset of £1,000,000 was recognised within other debtors. To the extent that any such liabilities are resolved at a lower value than the escrow balances, the excess balance remaining in escrow is payable to the vendors as additional consideration.

The Group has agreed to pay the vendors deferred consideration of £1,900,000 which is payable on 11 December 2021. This is not dependent on performance. Additional consideration is also payable dependent on the achievement of performance targets in the periods post acquisition. These performance periods are up to 3 years in duration and will be settled in cash on their payment date on achieving the relevant targets. The range of the additional consideration payment is estimated to be between £nil and £2.4million. The Group has included £2.4 million as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date. Contingent consideration has been calculated based on the Group's expectation of what it will pay in relation to the post-acquisition performance of the acquired entities.

Due to their contractual dates, the fair value of the receivables (shown above) is 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 £375,000 and these were fully expensed in the period to 31 December 2018 (Note 4).

Edenhall Holdings Limited contributed revenue of £675,000 and profit of £4,000 to the Group's profit for the period between the date of acquisition and 31 December 2018.

If the acquisition of Edenhall Holdings Limited had been completed on the first day of the financial year, Group revenue for the period would have been £524,165,000 and Group profit before tax would have been £64,643,000.

Acquisition of CPM Group Limited

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.

Initial cash consideration paid to the vendors was £26,272,000 and 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 were recorded at the date of acquisition, for the estimated liabilities arising from concluding these ongoing matters. The Group has a right to be reimbursed of amounts held in escrow to the extent that any liability crystallises in respect of these ongoing legal and regulatory matters up to the full value of the £12,000,000 held in escrow, and consequently a reimbursement asset of £12,000,000 was recognised within other debtors. To the extent that such liabilities are resolved at a lower value than the escrow balances, the excess balance remaining in escrow is payable to the vendors as additional consideration.

As required under the terms of the sale and purchase agreement, a net working capital review was undertaken in the period. Adjustments were agreed with the vendor which resulted in a reimbursement of £2,163,000 to Marshalls Mono Limited during the period to 31 December 2018. This amount covered both the required working capital adjustment and monies that were required to settle certain of the legal and regulatory matters which crystallised during the period.

In addition, and as part of the same review required under the terms of the sale and purchase agreement, an amount of £1,419,000 was paid to the vendors from the escrow account during the period.

As part of the ongoing review of the fair value of assets and liabilities acquired, adjustments were made to certain accruals and provisions during the period. These had the effect of increasing the fair value of the net assets acquired under the acquisition by £1,019,000, which has given rise to a reduction in goodwill of a similar amount. Goodwill, trade and other payables and provisions have been restated accordingly in respect of the reported 31 December 2017 balance sheet.

Due to their contractual dates, the fair value of the receivables (shown above) is 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 were fully expensed in the period to 31 December 2017 (Note 4).

11 Analysis of net debt

	1 January 2018 £'000	Cash flow £'000	On acquisition of subsidiary undertaking £'000	Other changes £'000	**31 December 2018 £'000**
Cash at bank and in hand	19,845	25,746	33	85	**45,709**
Debt due within 1 year	-	1,286	(3,959)	(19,820)	**(22,493)**
Debt due after 1 year	(43,883)	(35,450)	-	19,625	**(59,708)**
Finance leases	(259)	106	(783)	(5)	**(941)**
	(24,297)	(8,312)	(4,709)	(115)	**(37,433)**

Reconciliation of net cash flow to movement in net debt

	2018 £'000	2017 £'000
Net increase in cash equivalents	**25,746**	1,925
Cash inflow from increase in debt and lease financing	**(34,063)**	(24,819)
On acquisition of subsidiary undertaking	**(4,709)**	(6,362)
Effect of exchange rate fluctuations	**(110)**	(454)
Movement in net debt in the year	**(13,136)**	(29,710)
Net debt at 1 January	**(24,297)**	5,413
Net debt at 31 December	**(37,433)**	(24,297)

Borrowing facilities

The total bank borrowing facilities at 31 December 2018 amounted to £140.0 million (2017: £115.0 million), of which £60.5 million (2017: £71.1 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 2018, in respect of which all conditions precedent had been met, were as follows:

	2018 **£'000**	2017 £'000
Committed:		
Expiring in more than 5 years	**25,000**	-
Expiring in more than 2 years but not more than 5 years	**20,292**	50,617
Expiring in 1 year or less	**180**	5,500
Uncommitted:		
Expiring in 1 year or less	**15,000**	15,000
	60,472	71,117

On 9 August 2018, the Group renewed its short-term working capital facilities of £25.0 million. To support the acquisition of Edenhall Holdings Limited, the Group has taken out an additional committed facility of £25.0 million with a 2024 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		
Q1: 2024	25,000	25,000
Q3: 2023	20,000	45,000
Q3: 2022	20,000	65,000
Q3: 2021	20,000	85,000
Q3: 2020	20,000	105,000
Q3: 2019	20,000	125,000
On-demand facilities		
Available all year	15,000	140,000
Seasonal (February to August inclusive)	10,000	150,000

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 2018 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 risks include prolonged uncertainty over Brexit negotiations and continued weakness in Sterling. During 2018, the potential impact of Brexit and wider economic and political uncertainties have been considered in the Group's assessment of risk. Other external operational risks include the weather, 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 Edenhall.

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 15 May 2019.

The Board

The Directors serving during the year ended 31 December 2018 were as follows:

Vanda Murray OBE	Chair (appointed 9 May 2018)
Janet Ashdown	Non-Executive Director
Jack Clarke	Finance Director
Martyn Coffey	Chief Executive
Tim Pile	Non-Executive Director
Graham Prothero	Non-Executive Director
Andrew Allner	Chairman (retired 9 May 2018)

By order of the Board
Cathy Baxandall
Company Secretary
14 March 2019

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.