**Embargoed until 7.00am on Friday 11 March 2016**

Marshalls

**Preliminary results for the year ended 31 December 2015**

**Marshalls plc, the specialist Landscape Products Group, announces its full year results for the year ended 31 December 2015.**

| **Financial Highlights** | Year ended 31 December 2015 | Year ended 31 December 2014 | Increase % |
|---|---|---|---|
| Revenue | £386.2m | £358.5m | 8 |
| EBITDA | £51.8m | £38.5m | 35 |
| Operating profit | £37.5m | £25.3m | 48 |
| Profit before tax | £35.3m | £22.4m | 57 |
| Basic EPS | 14.32p | 10.13p | 41 |
| Total dividends – ordinary and supplementary | 9.00p | 6.00p | |
| Final dividend - recommended | 4.75p | 4.00p | 19 |
| Supplementary dividend - recommended | 2.00p | - | |
| ROCE | 19.0% | 12.5% | ↑ 650 basis points |
| Net debt to EBITDA | 0.2 times | 0.8 times | |

**Highlights:**

- Revenue increased by 8 per cent to £386.2 million (2014: £358.5 million) as a result of volume growth driven by strong demand
- Strong profit before tax growth of 57 per cent to £35.3 million (2014: £22.4 million)
- Improvements in operating margins to 9.7 per cent (2014: 7.1 per cent) due to greater operational gearing
- Return on capital employed improved 52 per cent (650 basis points) to 19.0 per cent (2014: 12.5 per cent) as a result of both greater profits and tighter capital management
- Basic EPS up 41 per cent to 14.32p (2014: 10.13p)
- Final dividend for 2015 recommended of 4.75 pence per share which represents an increase of 19 per cent for the year.
- In addition, we have recommended a supplementary dividend of 2.00 pence per share
- Implementation of a wide-ranging digital strategy, including the creation of web and mobile applications and data mining techniques to identify market trends
- New strategic vision to drive continued growth out to 2020

**Current priorities**:

- To improve operational efficiency and promote innovation
- To further strengthen the Marshalls brand by delivering systems-based solutions, service excellence and new product development
- To grow our business both organically and selectively through acquisitions
- To continue to develop and invest in our strategic growth initiatives, particularly in Water Management, Street Furniture, Rail and New Build Housing

**2020 Strategy**:

Phase 1 of our strategy to return to pre-recession profitability has now been achieved. The next phase of our strategy, which will take us to 2020, has now been determined. The Board intends to build on the progress delivered in recent years and to take advantage of the supportive market environment. A series of initiatives and actions to both drive sales growth and improve operational efficiencies have been agreed. These are detailed below and include:

- A supportive market environment through to 2020
- Achieve price increases to cover cost increases
- Additional capital investment programme of £15 million to deliver cost savings of £5 million per year
- Achieve sales growth for the smaller UK businesses of at least 10 per cent per annum
- New product development to accelerate annually
- Increased investment in digital strategy
- Acquisition strategy to enhance this organic growth
- Our 2020 strategy will drive long term growth and shareholder returns

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

"This has been another good year for Marshalls with significant revenue and profit growth delivered in 2015. This has been matched by a strong cash performance resulting in the increased dividend for this year. Trading conditions remain positive and the Group continues to experience positive order intake and sales growth across the business.

Whilst there remain political and economic uncertainties, the outlook remains good with the CPA's current forecast for construction output standing at 3.6 per cent growth in 2016 and growth of 4.1 per cent, 4.2 per cent and 4.0 per cent respectively in the following 3 years. I am pleased to report that 2016 has started well with order intake up 6 per cent against strong comparators and the Group is well placed to build on the strong momentum generated in 2015 as we continue to see the combined benefits of Marshalls' operational gearing and the Group's growth strategy."

**Enquiries:**

| | | | |
|---|---|---|---|
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**Group Results**

Marshalls' revenue for the year ended 31 December 2015 increased 8 per cent to £386.2 million (2014: £358.5 million).

In the Public Sector and Commercial end market, revenue increased by 10.8 per cent compared with 2014 and now represents approximately 66 per cent of Group sales. In the Domestic end market, revenue increased by 3.6 per cent year on year and now represents approximately 29 per cent of Group sales.

Sales to International markets increased by 2.6 per cent in local currency. However, the impact of exchange rate movements is such that, once translated into Sterling, sales reduced to £19.0 million (2014: £20.0 million). Given trading conditions, which continue to be difficult in Europe, this represents a good performance and, pleasingly, the Belgium business has moved into profit. The International business is now approximately 5 per cent of Group sales.

Operating profit was £37.5 million (2014: £25.3 million) which represents an increase of 48.0 per cent. EBITDA increased by 34.6 per cent to £51.8 million (2014: £38.5 million) and basic EPS was 14.32 pence (2014: 10.13 pence), an increase of 41.4 per cent.

The Group's operating margin increased from 7.1 per cent to 9.7 per cent during the year and volume growth has been significantly ahead of CPA market forecasts.

Return on capital employed increased by 52.0 per cent to 19.0 per cent (2014: 12.5 per cent) driven by tight control of capital management. Capital employed has decreased by 3.9 per cent to £204.2 million (2014: £212.4 million) despite the significant increase in profit.

Net finance costs were £2.2 million (2014: £2.9 million) and interest was covered 17.2 times (2014: 8.8 times) reflecting the benefits from the refinancing exercise undertaken during the year. External charges totalled £1.8 million (2014: £2.8 million) and, including scheme administration costs, there was an IAS 19 notional interest charge of £0.4 million (2014: £0.1 million) in relation to the Group's pension scheme.

The effective tax rate was 20.9 per cent (2014: 18.7 per cent) with the prior period benefiting from a credit arising on the finalisation of prior year tax computations. The tax charge includes a deferred tax credit of £0.9 million arising due to reductions in the rate of corporation tax to 18 per cent by April 2020. The Group paid £7.0 million (2014: £4.0 million) of corporation tax during the year. Deferred tax of £0.8 million (2014: £0.6 million credit) in relation to the actuarial loss (2014: gain) arising on the Group's defined benefit pension scheme in the year has been taken to the Consolidated Statement of Comprehensive Income.

Marshalls was awarded the Fair Tax Mark in 2015. The Fair Tax Mark recognises social responsibility and transparency in a company's tax affairs and we are the first business in our sector to receive this accreditation. The Group's tax arrangements have long been closely aligned with the Fair Tax Mark's objectives and this is now supported by additional tax disclosures and a stated tax policy.

**Operating Performance**

Marshalls has a strong market position and continues to be a leading, trusted brand with clear values and excellent environmental credentials.

Our core Public Sector and Commercial and Domestic businesses delivered strong performances without any significant increases to the Group’s cost base as we continue to deliver benefits from our operational gearing. Our network of manufacturing sites continues to have sufficient capacity to absorb medium-term demand as well as the flexibility for further capacity and capability investment. There has also been a significant performance improvement in our smaller UK businesses during 2015 and they collectively delivered year on year growth in revenue of £8.7 million and operating profit of £2.4 million. These businesses include Street Furniture, Mineral Products and Stone Cladding, all of which are now profitable.

Although the market in Europe remains more challenging, the Group delivered continued progress in developing its International business during the year and has opened a sales office in Dubai to facilitate further sales growth in the Middle East.

Well invested capital equipment provides the flexibility to manufacture products for both the Public Sector and Commercial and the Domestic end markets and this operational flexibility remains a key focus for the Group. Marshalls employs a world class Manufacturing, Innovation and Development team of engineers and technicians which creates a key competitive advantage for us by combining machinery design and installation with process improvement. This capability enabled the Group to accelerate new product development across the business.

We continue to focus on improving our manufacturing efficiency. In the UK, the Group has a unique manufacturing network of 13 concrete manufacturing sites as well as quarries producing paving, walling and cladding products. This national network provides unrivalled geographic coverage and this continues to provide the Group with a distinct competitive advantage with all of the Group’s operations supported by a centrally managed logistics and distribution capability.

The Group operates its own fleet of 44-tonne delivery vehicles equipped with crane offloading capability and state of the art technology, including 360 degree CCTV systems and audible manoeuvring alerts. The Group remains committed to improving the quality and safety of the working environment by maintaining the highest health and safety standards.

**Delivering the 2020 Strategy**

To achieve our revenue growth the Group will target organic growth in all core business lines. This will be driven by our focus on innovation and new product development. We will also seek to extend our product range to provide more integrated solutions and look to use our digital strategy to better the customer experience. We will also further strengthen our logistics and distribution capabilities through investment. Prices will cover any cost increases during the period to 2020. Any acquisition activity will be on top of this organic growth.

Work has commenced on a number of capital investments. Good opportunities are being developed which will provide a timely payback. These investments will total £15 million and be made over the next 2-3 years. They will deliver cost savings of £5 million per annum and are in addition to our normal annual capital expenditure programme.

Greater focus has been given to the smaller UK businesses and they are all delivering increased profitability. These businesses have good future potential. We believe we can grow our market share through excellent customer service and targeted investment in these businesses.

There has been good success in the last few years with our new product development. The Group will continue to focus on innovation and new product development to drive sales growth. Commercial demand for Water Management, Street Furniture, Rail and New Build Housing is increasing and all these businesses have developed new products that have been recently introduced in their markets. The Group’s new range of water management products and sustainable drainage systems demonstrate innovative thinking and could have an important part to play in reducing the risk of flooding. The new Drexus linear drainage system is being launched for 2016 along with a new and innovative range of paving products that incorporate new surface technology.

In the core Landscape Products business, revenue from new products increased by 14 per cent during 2015. The current development pipeline remains very strong and the Group has committed further investment to research and development over the medium term to drive innovation and new product development.

The Group continues to pursue acquisition opportunities in the focus areas of Water Management, Street Furniture and Mineral Products. A short list has been developed and there are ongoing discussions. We have discounted certain targets due to unrealistic price expectation and lack of fit. There remains a positive pipeline of good opportunities.

**Current Priorities and Operational Strategy**

Operational priorities are service, quality, design, innovation and sustainability and the Group continues to deliver the benefits of improved product mix and an integrated product offering. The objective remains to continually strengthen the Marshalls brand by ensuring a consistently high standard of quality and customer service. Marshalls continues to have customer service as a key KPI and we maintain industry leading standards of product quality, availability and "on time" delivery. The Group's combined customer service measure continued to be in excess of 98 per cent throughout 2015.

The Group's Domestic strategy is to drive sales through approved domestic installers. The Marshalls Register has grown by 5 per cent in the last year to 1,862 teams and consistently provides a high standard of quality and a market leading level of service. The survey of domestic installers at the end of February 2016 revealed order books of 10.5 weeks (February 2015: 9.0 weeks).

A priority during 2015 was to advance the creation of a wide-ranging digital strategy which encompasses digital trading, digital marketing and digital business. The strategy includes the creation of web and mobile applications which track and support the customer through their purchasing journey. Examples include merchant web stores and the Marshalls Register member mobile app. In digital marketing, web and mobile applications have been developed to promote the sale of products and data mining techniques have been introduced to identify market trends.

In September 2015, Marshalls opened its new office "Design Space" in Clerkenwell, London. This is an important initiative for the Group and the facility was created specifically with architects and designers in mind. The location is at the centre of the highest concentration of architects in the UK and has a wide range of materials and finishes on display to help inspire and assist them in making specification decisions. The architects and designers are a key part of the route to market for Marshalls.

**Balance Sheet and Net Debt**

Net assets at 31 December 2015 were £192.7 million (2014: £181.9 million). The Group has a strong balance sheet with a broad range of medium term bank facilities available to fund its investment initiatives to generate further growth. During the year the Group has undertaken a thorough review of its capital structure to ensure it provides a sound basis for future investment decisions.

At 31 December 2015 net debt was £11.5 million (2014: £30.5 million) resulting in gearing of 6.0 per cent (2014: 16.8 per cent). This reduction is due to the operating cash flow impact of strong trading together with the continuation of the close control of inventory and the effective management of working capital introduced in the year. As a result, working capital management has successfully released cash in the year of £8.5 million. Cash management continues to be a high priority.

The balance sheet value of the Group's defined benefit pension scheme was a surplus of £3.4 million (2014: £3.4 million surplus). The amount has been determined by the Scheme actuary using assumptions that are considered to be prudent and in line with current market levels. The fair value of the Scheme assets at 31 December 2015 was £302.2 million (2014: £312.5 million) and the present value of the Scheme liabilities was £298.8 million (2014: £309.1 million). The Company has agreed with the Trustee that no cash contributions are now payable under the existing funding and recovery plan, resulting in a future cash saving of £4.6 million per annum.

**Dividends**

The Board recognises the importance of dividends to our shareholders. Marshalls has strong cash generation and a robust balance sheet which supports our progressive dividend policy. As previously stated, the Group maintains the objective of achieving up to 2 times dividend cover over the business cycle.

The Board is recommending a final dividend of 4.75 pence (2014: 4.00 pence) per share which, together with the interim dividend of 2.25 pence (2014: 2.00 pence) per share, represents a total ordinary dividend of 7.00 pence (2014: 6.00 pence) per share.

In addition, in light of the Group's strong free cash flow, the Board has reviewed its approach to dividends in order to ensure we maintain an efficient and prudent capital structure which looks to provide increased returns to shareholders whilst at the same time retaining flexibility for capital and other investment opportunities. As a result, the Board is declaring a supplementary dividend of 2.00 pence per share this year; this supplementary dividend is discretionary and non-recurring.

Taken together, the ordinary and supplementary dividends comprise an aggregate distribution for the year of 9.00 pence per share. The final ordinary dividend of 4.75 pence per ordinary share will, subject the shareholders' approval at the Annual General Meeting on 18 May 2016, be paid alongside the supplementary dividend of 2.00 pence per share on 8 July 2016 to shareholders on the register at 3 June 2016.

**Outlook**

This has been another good year for Marshalls with significant revenue and profit growth delivered in 2015. This has been matched by a strong cash performance resulting in the increased dividend for this year. Trading conditions remain positive and the Group continues to experience positive order intake and sales growth across the business.

Whilst there remain political and economic uncertainties, the outlook remains good with the CPA's current forecast for construction output standing at 3.6 per cent growth in 2016 and growth of 4.1 per cent, 4.2 per cent and 4.0 per cent respectively in the following 3 years. I am pleased to report that 2016 has started well with order intake up 6 per cent against strong comparators and the Group is well placed to build on the strong momentum generated in 2015 as we continue to see the combined benefits of Marshalls' operational gearing and the Group's growth strategy.

**Martyn Coffey**
**Chief Executive**

MARSHALLS PLC
PRELIMINARY ANNOUNCEMENT OF RESULTS
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | **2015 £'000** | 2014 £'000 |
|---|---|---|---|
| **Revenue** | 2 | **386,204** | 358,516 |
| Net operating costs | 3 | **(348,752)** | (333,211) |
| **Operating profit** | 2 | **37,452** | 25,305 |
| Financial expenses | 4 | **(2,181)** | (2,889) |
| Financial income | 4 | **7** | 5 |
| **Profit before tax** | 2 | **35,278** | 22,421 |
| Income tax expense | 5 | **(7,387)** | (4,198) |
| **Profit for the financial year** | | **27,891** | 18,223 |
| **Profit for the year** | | | |
| **Attributable to:** | | | |
| **Equity shareholders of the Parent** | | **28,149** | 19,857 |
| **Non-controlling interests** | | **(258)** | (1,634) |
| | | **27,891** | 18,223 |
| **Earnings per share** | | | |
| Basic | 6 | **14.32p** | 10.13p |
| Diluted | 6 | **14.10p** | 9.89p |
| **Dividend** | | | |
| Pence per share | 7 | **6.25p** | 5.50p |
| Dividends declared | 7 | **12,291** | 10,791 |

All results relate to continuing operations.

MARSHALLS PLC
PRELIMINARY ANNOUNCEMENT OF RESULTS
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

| | **2015** **£'000** | 2014 £'000 (Restated) |
|---|---|---|
| **Profit for the financial year** | **27,891** | 18,223 |
| **Other comprehensive (expense) / income** | | |
| *Items that will not be reclassified to the Income Statement:* | | |
| Remeasurements of the net defined benefit liability | **(3,866)** | 3,244 |
| Deferred tax arising | **773** | (649) |
| **Total items that will not be reclassified to the Income Statement** | **(3,093)** | 2,595 |
| *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 | **(940)** | (3,984) |
| Fair value of cash flow hedges transferred to the Income Statement | **1,984** | 1,076 |
| Deferred tax arising | **(209)** | 582 |
| Impact of the change in rate of deferred taxation | **(375)** | – |
| Exchange difference on retranslation of foreign currency net investment | **(980)** | (944) |
| Exchange movements associated with borrowings | **847** | 869 |
| Foreign currency translation differences – non-controlling interests | **(78)** | (186) |
| **Total items that are or may be reclassified subsequently to the Income Statement** | **249** | (2,587) |
| **Other comprehensive (expense) / income for year, net of income tax** | **(2,844)** | 8 |
| **Total comprehensive income for the year** | **25,047** | 18,231 |
| **Attributable to:** | | |
| **Equity shareholders of the Parent** | **25,383** | 20,051 |
| **Non-controlling interests** | **(336)** | (1,820) |
| | **25,047** | 18,231 |

MARSHALLS PLC
PRELIMINARY ANNOUNCEMENT OF RESULTS
CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | **2015 £'000** | 2014 £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **147,489** | 149,745 |
| Intangible assets | | **40,168** | 40,581 |
| Investment in associates | | **-** | 782 |
| Trade and other receivables | | **415** | - |
| Employee benefits | 8 | **3,427** | 3,449 |
| Deferred taxation assets | | **1,316** | 1,394 |
| | | **192,815** | 195,951 |
| **Current assets** | | | |
| Inventories | | **65,254** | 67,323 |
| Trade and other receivables | | **44,542** | 44,950 |
| Cash and cash equivalents | | **24,990** | 20,320 |
| Assets classified as held for sale | | **2,231** | - |
| | | **137,017** | 132,593 |
| **Total assets** | | **329,832** | 328,544 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | **79,607** | 73,416 |
| Corporation tax | | **5,281** | 4,276 |
| Interest bearing loans and borrowings | | **34** | 85 |
| Derivative financial instruments | | **2,149** | 3,192 |
| | | **87,071** | 80,969 |
| **Non-current liabilities** | | | |
| Interest bearing loans and borrowings | | **36,418** | 50,715 |
| Deferred taxation liabilities | | **13,625** | 14,966 |
| | | **50,043** | 65,681 |
| **Total liabilities** | | **137,114** | 146,650 |
| **Net assets** | | **192,718** | 181,894 |
| **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 | | **(5,529)** | (6,689) |
| Capital redemption reserve | | **75,394** | 75,394 |
| Consolidation reserve | | **(213,067)** | (213,067) |
| Hedging reserve | | **(1,653)** | (2,488) |
| Retained earnings | | **263,894** | 254,729 |
| **Equity attributable to equity shareholders of the Parent** | | **191,579** | 180,419 |
| **Non-controlling interests** | | **1,139** | 1,475 |
| **Total equity** | | **192,718** | 181,894 |

MARSHALLS PLC
PRELIMINARY ANNOUNCEMENT OF RESULTS
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| **Cash flows from operating activities** | | |
| **Profit for the financial year** | **27,891** | 18,223 |
| Income tax expense | **7,387** | 4,198 |
| **Profit before tax** | **35,278** | 22,421 |
| Adjustments for: | | |
| Depreciation | **13,054** | 11,982 |
| Amortisation | **1,322** | 1,231 |
| Associates | **582** | (118) |
| Gain on sale of property, plant and equipment | **(149)** | (360) |
| Equity settled share-based payments | **2,202** | 2,496 |
| Financial income and expenses (net) | **2,174** | 2,884 |
| **Operating cash flow before changes in working capital and pension scheme contributions** | **54,463** | 40,536 |
| Increase in trade and other receivables | **(443)** | (1,050) |
| Decrease in inventories | **1,706** | 3,102 |
| Increase / (decrease) in trade and other payables | **7,262** | (1,765) |
| Operational restructuring costs paid | **(175)** | (235) |
| Pension scheme contributions | **(4,350)** | (4,600) |
| **Cash generated from operations** | **58,463** | 35,988 |
| Financial expenses paid | **(1,775)** | (2,840) |
| Income tax paid | **(7,003)** | (4,031) |
| **Net cash flow from operating activities** | **49,685** | 29,117 |
| **Cash flows from investing activities** | | |
| Proceeds from sale of property, plant and equipment | **933** | 3,077 |
| Financial income received | **7** | 5 |
| Net proceeds from disposal of associates | **200** | – |
| Acquisition of property, plant and equipment | **(14,016)** | (11,269) |
| Acquisition of intangible assets | **(909)** | (741) |
| **Net cash flow from investing activities** | **(13,785)** | (8,928) |
| **Cash flows from financing activities** | | |
| Payments to acquire own shares | **(4,582)** | (4,266) |
| Net (decrease) / increase in other debt and finance leases | **(166)** | 269 |
| Decrease in borrowings | **(14,182)** | (2,690) |
| Equity dividends paid | **(12,291)** | (10,791) |
| **Net cash flow from financing activities** | **(31,221)** | (17,478) |
| **Net increase in cash and cash equivalents** | **4,679** | 2,711 |
| Cash and cash equivalents at beginning of the year | **20,320** | 17,652 |
| Effect of exchange rate fluctuations | **(9)** | (43) |
| **Cash and cash equivalents at end of the year** | **24,990** | 20,320 |

# MARSHALLS PLC
# PRELIMINARY ANNOUNCEMENT OF RESULTS
# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 31 DECEMBER 2015

| | 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 2015 | **49,845** | **22,695** | **(6,689)** | **75,394** | **(213,067)** | **(2,488)** | **254,729** | **180,419** | **1,475** | **181,894** |
| **Total comprehensive income / (expense) for the year** | | | | | | | | | | |
| Profit / (loss) for the financial year attributable to equity shareholders of the Parent | - | - | - | - | - | - | 28,149 | 28,149 | (258) | 27,891 |
| **Other comprehensive income / (expense)** | | | | | | | | | | |
| Foreign currency translation differences | - | - | - | - | - | - | (133) | (133) | (78) | (211) |
| Effective portion of changes in fair value of cash flow hedges | - | - | - | - | - | (940) | - | (940) | - | (940) |
| Net change in fair value of cash flow hedges transferred to the Income Statement | - | - | - | - | - | 1,984 | - | 1,984 | - | 1,984 |
| Deferred tax arising | - | - | - | - | - | (209) | - | (209) | - | (209) |
| Defined benefit plan actuarial losses | - | - | - | - | - | - | (3,866) | (3,866) | - | (3,866) |
| Impact of change in rate of deferred tax | - | - | - | - | - | - | (375) | (375) | - | (375) |
| Deferred tax arising | - | - | - | - | - | - | 773 | 773 | - | 773 |
| **Total other comprehensive income / (expense)** | - | - | - | - | - | 835 | (3,601) | (2,766) | (78) | (2,844) |
| **Total comprehensive income / (expense) for the year** | - | - | - | - | - | 835 | 24,548 | 25,383 | (336) | 25,047 |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | | |
| Share-based payments | - | - | - | - | - | - | 2,202 | 2,202 | - | 2,202 |
| Deferred tax on share-based payments | - | - | - | - | - | - | (5) | (5) | - | (5) |
| Corporation tax on share-based payments | - | - | - | - | - | - | 445 | 445 | - | 445 |
| Impact of the change in rate of deferred tax on share-based payments | - | - | - | - | - | - | 8 | 8 | - | 8 |
| Dividends to equity shareholders | - | - | - | - | - | - | (12,291) | (12,291) | - | (12,291) |
| Purchase of own shares | - | - | (4,582) | - | - | - | - | (4,582) | - | (4,582) |
| Disposal of own shares | - | - | 5,742 | - | - | - | (5,742) | - | - | - |
| **Total contributions by and distributions to owners** | - | - | 1,160 | - | - | - | (15,383) | (14,223) | - | (14,223) |
| **Total transactions with owners of the Company** | - | - | 1,160 | - | - | 835 | 9,165 | 11,160 | (336) | 10,824 |
| **At 31 December 2015** | **49,845** | **22,695** | **(5,529)** | **75,394** | **(213,067)** | **(1,653)** | **263,894** | **191,579** | **1,139** | **192,718** |

# MARSHALLS PLC
# PRELIMINARY ANNOUNCEMENT OF RESULTS
# CONSOLIDATED STTAEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED 31 DECEMBER 2015

| | 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 2014 | 49,845 | 22,695 | (9,512) | 75,394 | (213,067) | (162) | 246,944 | 172,137 | 3,295 | 175,432 |
| **Total comprehensive income / (expense) for the year** | | | | | | | | | | |
| Profit / (loss) for the financial year attributable to equity shareholders of the Parent | – | – | – | – | – | – | 19,857 | 19,857 | (1,634) | 18,223 |
| **Other comprehensive income / (expense)** | | | | | | | | | | |
| Foreign currency translation differences | – | – | – | – | – | – | (75) | (75) | (186) | (261) |
| Effective portion of changes in fair value of cash flow hedges | – | – | – | – | – | (3,984) | – | (3,984) | – | (3,984) |
| Net change in fair value of cash flow hedges transferred to the Income Statement | – | – | – | – | – | 1,076 | – | 1,076 | – | 1,076 |
| Deferred tax arising | – | – | – | – | – | 582 | – | 582 | – | 582 |
| Defined benefit plan actuarial gains | – | – | – | – | – | – | 3,244 | 3,244 | – | 3,244 |
| Deferred tax arising | – | – | – | – | – | – | (649) | (649) | – | (649) |
| **Total other comprehensive income / (expense)** | – | – | – | – | – | (2,326) | 2,520 | 194 | (186) | 8 |
| **Total comprehensive income / (expense) for the year** | – | – | – | – | – | (2,326) | 22,377 | 20,051 | (1,820) | 18,231 |
| **Transactions with owners, recorded directly in equity** | | | | | | | | | | |
| **Contributions by and distributions to owners** | | | | | | | | | | |
| Share-based payments | – | – | – | – | – | – | 2,496 | 2,496 | – | 2,496 |
| Deferred tax on share-based payments | – | – | – | – | – | – | 460 | 460 | – | 460 |
| Corporation tax on share-based payments | – | – | – | – | – | – | 332 | 332 | – | 332 |
| Dividends to equity shareholders | – | – | – | – | – | – | (10,791) | (10,791) | – | (10,791) |
| Purchase of own shares | – | – | (4,266) | – | – | – | – | (4,266) | – | (4,266) |
| Disposal of own shares | – | – | 7,089 | – | – | – | (7,089) | – | – | – |
| **Total contributions by and distributions to owners** | – | – | 2,823 | – | – | – | (14,592) | (11,769) | – | (11,769) |
| **Total transactions with owners of the Company** | – | – | 2,823 | – | – | (2,326) | 7,785 | 8,282 | (1,820) | 6,462 |
| **At 31 December 2014** | 49,845 | 22,695 | (6,689) | 75,394 | (213,067) | (2,488) | 254,729 | 180,419 | 1,475 | 181,894 |

## 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 2015, this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full Consolidated Financial Statements in April 2016.

The Financial Information set out in this Preliminary Announcement does not constitute the Company's Consolidated Financial Statements for the years ended 31 December 2015 or 2014, but is derived from those Financial Statements. Statutory Financial Statements for 2014 have been delivered to the Registrar of Companies and those for 2015 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 2015 or 2014.

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.

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 2015 (except as noted below). Their adoption has not had any material impact on the disclosures or on the amounts reported in the Consolidated Financial Statements.

- Amendments to IAS 19 – "*Defined Benefit Plans: Employee Contributions.*" The amendments are effective in the EU for accounting periods beginning on or after 1 February 2015. However, earlier application is permitted so that companies applying IFRSs, as adopted in the EU, are able to adopt the amendments in accordance with the IASB effective date of 1 July 2014. The amendments to IAS 19 clarify the requirements that relate to how contributions from employees, or third parties, that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service. These amendments have been applied retrospectively. The application of these amendments has had no material impact on the disclosures or on the amounts recognised in the Group's Consolidated Financial Statements.

- Annual Improvements to IFRSs 2010 – 2012 Cycle. The amendments are effective in the EU for accounting periods beginning on or after 1 February 2015. However, earlier application is permitted so that companies applying IFRSs, as adopted in the EU, are able to adopt the amendments in accordance with the IASB effective date of 1 July 2014. The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements. However, the amendments to IFRS 8 – "*Operating Segments*" (aggregation of operating segments) and IAS 24 – "*Related Party Disclosures*" (key management personnel) represent changes to existing requirements. The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have similar economic characteristics. The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management. The application of the amendments has had no material impact on the disclosures or on the amounts recognised in the Group's Consolidated Financial Statements.

The following standards and amendments to standards are in issue but not yet effective, and have not yet been adopted by the EU, and therefore have not been applied in the Group's Consolidated Financial Statements.

- IFRS 9 – "*Financial Instruments;"*
- IFRS 15 – "*Revenue from Contracts with Customers;"*
- IFRS 11 (amendments) – "*Accounting for Acquisitions of Interests in Joint Operations;"*
- IAS 1 (amendments) – "*Disclosure Initiative;"*
- IAS 16 and IAS 38 (amendments) – "*Clarification of Acceptable Methods of Depreciation and Amortisation;"*
- IAS 16 and IAS 41 (amendments) – "*Agriculture: Bearer Plants;"*
- IAS 27 (amendments) – "*Equity Method in Separate Financial Statements;"*
- IFRS 10 and IAS 28 (amendments) – "*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;"*
- IFRS 10, IFRS 12 and IAS 28 (amendments) – "*Investment Entities: Applying the Consolidation Exemption;"*
- Annual Improvements to IFRSs: 2012-2014 Cycle – "Amendments to: IFRS 5 – "*Non-current Assets Held for Sale and Discontinued Operations",* IFRS 7 – "*Financial Instruments: Disclosures,"* IAS 19 – "*Employee Benefits"* and IAS 34 – "*Interim Financial Reporting;"*
- IFRS 14 – "*Regulatory Deferral Accounts;"*
- IFRS 16 – "*Leases*;"
- IAS 12 (amendments) – "*Income Taxes*;" and
- IFRIC 21 – "*Levies*."

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 that IFRS 9 and IFRS 16 will impact both the measurement and disclosures of financial instruments and leases respectively and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9, IFRS 15 and IFRS 16 until a detailed review has been completed.

Details of the Group's funding position are set out in Note 9 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 10 July 2015. 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.

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.

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity have been restated in respect of the year ended 31 December 2014 (£792,000 reduction to other comprehensive income). The restatement was in respect of deferred taxation and corporation tax on share-based payments which were previously presented within other comprehensive income. The Statements have also been restated to show the effects of the net investment hedging on a gross basis in both periods. There is no impact on retained profits or net assets.

## 2 Segmental analysis

***Segment revenues and results***

| | **2015** | | | 2014 | | |
|---|---|---|---|---|---|---|
| | **Landscape Products £'000** | **Other £'000** | **Total £'000** | Landscape Products £'000 | Other £'000 | Total £'000 |
| Total revenue | **299,650** | **90,915** | **390,565** | 280,508* | 82,933* | 363,441 |
| Inter-segment revenue | **(123)** | **(4,238)** | **(4,361)** | (194) | (4,731) | (4,925) |
| External revenue | **299,527** | **86,677** | **386,204** | 280,314* | 78,202* | 358,516 |
| Segment operating profit | **41,816** | **1,763** | **43,579** | 36,066 | (4,549)** | 31,517 |
| Unallocated administration costs | | | **(5,545)** | | | (6,330) |
| Associates | | | **(582)** | | | 118 |
| Operating profit | | | **37,452** | | | 25,305 |
| Finance charges (net) | | | **(2,174)** | | | (2,884) |
| Profit before tax | | | **35,278** | | | 22,421 |
| Taxation | | | **(7,387)** | | | (4,198) |
| Profit after tax | | | **27,891** | | | 18,223 |

* The comparative revenue figures have been restated to ensure consistent classification with the analysis reported for the year ended 31 December 2015.

** After charging £1,995,000 in respect of restructuring costs in the Belgian business.

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 one integrated production, logistics and distribution network supporting both end markets.

Included in "Other" are the Group's Street Furniture, Mineral Products, Stone Cladding and International operations which do not currently meet the IRFS 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 the share of profit of associates and certain central administration costs that are not capable of allocation. Centrally administered overhead costs that relate directly to the reportable segment are included within the segment's results.

***Segment assets***

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Fixed assets and inventory: | | |
| Landscape Products | **156,112** | 156,509 |
| Other | **56,631** | 60,559 |
| Total segment fixed assets and inventory | **212,743** | 217,068 |
| Unallocated assets | **117,089** | 111,476 |
| Consolidated total assets | **329,832** | 328,544 |

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 | |
|---|---|---|---|---|
| | **2015 £'000** | 2014 £'000 | **2015 £'000** | 2014 £'000 |
| Landscape Products | **10,465** | 9,919 | **11,678** | 7,994 |
| Other | **3,911** | 3,294 | **3,816** | 4,016 |
| | **14,376** | 13,213 | **15,494** | 12,010 |

***Geographical destination of revenue***

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| United Kingdom | **367,248** | 338,483* |
| Rest of the World | **18,956** | 20,033* |
| | **386,204** | 358,516 |

* The comparative revenue figures have been restated to ensure consistent classification with the analysis reported for the year ended 31 December 2015.

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.

### 3 Net operating costs

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Raw materials and consumables | **141,471** | 137,250 |
| Changes in inventories of finished goods and work in progress | **(1,801)** | (3,484) |
| Personnel costs | **96,716** | 93,439 |
| Depreciation – owned | **13,054** | 11,907 |
| – leased | **-** | 75 |
| Amortisation of intangible assets | **1,322** | 1,231 |
| Own work capitalised | **(1,810)** | (1,473) |
| Other operating costs | **100,707** | 94,910 |
| Restructuring costs in Marshalls NV | **-** | 1,995 |
| Operating costs | **349,659** | 335,850 |
| Other operating income | **(1,340)** | (2,161) |
| Net gain on asset and property disposals | **(149)** | (360) |
| Associates | **582** | (118) |
| **Net operating costs** | **348,752** | 333,211 |

### 4 Financial expenses and income

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **(a) Financial expenses** | | |
| Interest expense on defined benefit pension scheme | **406** | 48 |
| Interest expense on bank loans, overdrafts and loan notes | **1,767** | 2,835 |
| Finance lease interest expense | **8** | 6 |
| | **2,181** | 2,889 |
| **(b) Financial income** | | |
| Interest receivable and similar income | **7** | 5 |

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

### 5 Income tax expense

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| **Current tax expense** | | |
| Current year | **8,164** | 5,670 |
| Adjustments for prior years | **289** | (1,834) |
| | **8,453** | 3,836 |
| **Deferred taxation expense** | | |
| Origination and reversal of temporary differences: | | |
| Current year | **(684)** | (319) |
| Adjustments for prior years | **(382)** | 681 |
| **Total tax expense** | **7,387** | 4,198 |

| | % | 2015 £'000 | % | 2014 £'000 |
|---|---|---|---|---|
| **Reconciliation of effective tax rate** | | | | |
| Profit before tax | **100.00** | **35,278** | 100.0 | 22,421 |
| Tax using domestic corporation tax rate | **20.2** | **7,144** | 21.5 | 4,821 |
| Impact of capital allowances in excess of depreciation | **2.0** | **710** | 3.8 | 845 |
| Short term timing differences | **(0.2)** | **(81)** | (1.0) | (221) |
| Adjustment to tax charge in prior year | **0.8** | **289** | (8.2) | (1,834) |
| Expenses not deductible for tax purposes | **1.1** | **391** | 1.0 | 225 |
| Corporation tax charge for the year | **23.9** | **8,453** | 17.1 | 3,836 |
| Impact of capital allowances in excess of depreciation | **(1.0)** | **(355)** | (4.2) | (953) |
| Short term timing differences | **(0.2)** | **(79)** | (1.0) | (227) |
| Pension scheme movements | **2.1** | **746** | 4.1 | 930 |
| Other items | **(0.3)** | **(100)** | (0.3) | (69) |
| Adjustment to tax charge in prior year | **(1.1)** | **(382)** | 3.0 | 681 |
| Impact of the change in the rate of corporation tax on deferred taxation | **(2.5)** | **(896)** | - | - |
| Total tax charge for the year | **20.9** | **7,387** | 18.7 | 4,198 |

The net amount of deferred taxation credited / (debited) to the Consolidated Statement of Comprehensive Income in the year was £189,000 credit (2014: £67,000 debit).

The majority of the Group's profits are earned in the UK with the standard rate of corporation tax being 20.25 per cent for the year to 31 December 2015.

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 Company is not the same as its accounting profit. During the year to 31 December 2015 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 to 31 December 2015. In total, the trading profits were not material and no tax was due.

## 6 Earnings per share

Basic earnings per share for the financial year of 14.32 pence (2014: 10.13 pence) per share is calculated by dividing the profit attributable to ordinary shareholders for the financial year, after adjusting for non-controlling interests, of £28,149,000 (2014: £19,857,000) by the weighted average number of shares in issue during the period of 196,574,435 (2014: 196,116,404).

***Profit attributable to ordinary shareholders***

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Profit for the financial year | **27,891** | 18,223 |
| Loss attributable to non-controlling interests | **258** | 1,634 |
| Profit attributable to ordinary shareholders | **28,149** | 19,857 |

***Weighted average number of Ordinary Shares***

| | **2015 Number** | 2014 Number |
|---|---|---|
| Number of issued Ordinary Shares (at beginning of the year) | **199,378,755** | 199,378,755 |
| Effect of shares transferred into employee benefit trust | **(2,804,320)** | (3,262,351) |
| Weighted average number of Ordinary Shares at end of the year | **196,574,435** | 196,116,404 |

Diluted earnings per share of 14.10 pence (2014: 9.89 pence) per share is calculated by dividing the profit for the financial year, after adjusting for non-controlling interests, of £28,149,000 (2014: £19,857,000) by the weighted average number of shares in issue during the period of 196,574,435 (2014: 196,116,404) plus potentially dilutive shares of 3,092,619 (2014: 4,646,375) which totals 199,667,054 (2014: 200,762,799).

***Weighted average number of Ordinary Shares (diluted)***

| | **2015 Number** | 2014 Number |
|---|---|---|
| Weighted average number of Ordinary Shares | **196,574,435** | 196,116,404 |
| Potentially dilutive shares | **3,092,619** | 4,646,375 |
| Weighted average number of Ordinary Shares (diluted) | **199,667,054** | 200,762,779 |

## 7 Dividends

After the balance sheet date a dividend of 4.75 pence (2014: 4.00 pence) per qualifying Ordinary Share was proposed by the Directors. In addition, a supplementary dividend of 2.00 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 | **2015 £'000** | 2014 £'000 |
|---|---|---|---|
| 2015 supplementary | **2.00** | **3,988** | |
| 2015 final | **4.75** | **9,470** | |
| 2015 interim | **2.25** | **4,425** | |
| | **9.00** | **17,883** | |
| 2014 final | 4.00 | | 7,975 |
| 2014 interim | 2.00 | | 3,924 |
| | 6.00 | | 11,899 |

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

| | Pence per qualifying share | **2015 £'000** | 2014 £'000 |
|---|---|---|---|
| 2015 interim | **2.25** | **4,425** | |
| 2014 final | **4.00** | **7,866** | |
| | **6.25** | **12,291** | |
| 2014 interim | 2.00 | | 3,924 |
| 2013 final | 3.50 | | 6,867 |
| | 5.50 | | 10,791 |

The Board recommends a 2015 final dividend of 4.75 pence per qualifying Ordinary Share (amounting to £9,470,000) alongside a supplementary dividend of 2.00 pence per qualifying Ordinary Share (amounting to £3,988,000) to be paid on 8 July 2016 to shareholders registered at the close of business on 3 June 2016.

## 8 Employee benefits

The Company sponsors a pension scheme for employees in the UK which incorporates a funded defined benefit section and a defined contribution section ("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, which closed to future service accrual on 30 June 2006, provides pension and lump sums to members on retirement and to dependants on death. Members of the defined benefits section became entitled to a deferred pension on closure. 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 defined benefits 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 benefits 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 2015 by a qualified independent actuary. The figures in the following disclosure were measured using the projected unit method.

During 2015 an exercise was carried out offering eligible defined benefit section members and current pensioners and dependants the option to commute small pensions for a cash lump sum representing the value of their benefits. This represents a settlement of benefits for members taking the option. The cash sump sums were determined by the Trustee on a best estimate basis after taking advice from the actuary.

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

| | **2015** | 2014 | 2013 |
|---|---|---|---|
| | **£'000** | £'000 | £'000 |
| Present value of a Scheme liabilities | **(298,812)** | (309,067) | (262,900) |
| Fair value of Scheme assets | **302,239** | 312,516 | 258,553 |
| Net amount recognised at year end (before any adjustments for deferred tax) | **3,427** | 3,449 | (4,347) |

The amounts recognised in Comprehensive Income were:

The current and past service costs, settlement and curtailments, together with the net interest expense for the year, are included in the employee benefits expense in the Statement of Comprehensive Income. Re-measurements of the net defined benefit surplus / (liability) are included in other comprehensive income.

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Net interest expense recognised in the Consolidated Income Statement | **506** | 48 |
| Remeasurements of the net liability: | | |
| Return on scheme assets (excluding amount included in interest expense) | **14,164** | (46,766) |
| (Gain) / loss arising from changes in financial assumptions | **(5,063)** | 44,242 |
| Gain arising from changes in demographic assumptions | **(7,412)** | – |
| Experience loss / (gain) | **2,177** | (720) |
| Charge / (credit) recorded in other comprehensive income | **3,866** | (3,244) |
| Total defined benefit charge / (credit) | **4,372** | (3,196) |

The principal actuarial assumptions used were:

| | 2015 £'000 | 2014 £'000 |
|---|---|---|
| Liability discount rate | **3.70%** | 3.60% |
| Inflation assumption – RPI | **3.10%** | 3.10% |
| Inflation assumption – CPI | **2.10%** | 2.10% |
| Rate of increase in salaries | **n/a** | n/a |
| Revaluation of deferred pensions | **2.10%** | 2.10% |
| Increases for pensions in payment: | | |
| CPI pension increases (maximum 5% pa) | **2.10%** | 2.10% |
| CPI pension increases (maximum 5% pa, minimum 3% pa) | **3.10%** | 3.10% |
| CPI pension increases (maximum 3% pa) | **2.00%** | 2.00% |
| 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** | S1PMA tables |
| Loading | **105%** | 105% |
| Projection basis | **Year of birth CMI_2015 1.0%** | Year of birth CMI_2012 1.0% |
| Mortality assumption – after retirement (females) | **S2PFA tables** | S1PFA tables |
| Loading | **105%** | 105% |
| Projection basis | **Year of birth CMI_2015 1.0%** | Year of birth CMI_2012 1.0% |
| Future expected lifetime of current pensioner at age 65: | | |
| Male aged 65 at year end | **86.5** | 86.9 |
| Female age 65 at year end | **88.5** | 89.2 |
| Future expected lifetime of future pensioner at age 65: | | |
| Male aged 45 at year end | **87.7** | 88.3 |
| Female age 45 at year end | **89.8** | 90.7 |

## 9 Analysis of net debt

| | 1 January 2014 £'000 | Cash flow £'000 | Other changes £'000 | **31 December 2015 £'000** |
|---|---|---|---|---|
| Cash at bank and in hand | 20,320 | 4,679 | (9) | **24,990** |
| Debt due after 1 year | (50,307) | 13,191 | 991 | **(36,125)** |
| Finance leases | (493) | 159 | 7 | **(327)** |
| | (30,480) | 18,029 | 989 | **(11,462)** |

***Reconciliation of net cash flow to movement in net debt***

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Net increase in cash equivalents | **4,679** | 2,711 |
| Cash outflow from decrease in debt and lease financing | **13,350** | 1,552 |
| Effect of exchange rate fluctuations | **989** | 826 |
| **Movement in net debt in the year** | **19,018** | 5,089 |
| **Net debt at 1 January** | **(30,480)** | (35,569) |
| **Net debt at 31 December** | **(11,462)** | (30,480) |

***Borrowing facilities***

The total bank borrowing facilities at 31 December 2015 amounted to £95.0 million (2014: £125.0 million) of which £58.9 million (2014: £74.7 million) remained unutilised. There are additional seasonal bank working capital facilities of £20.0 million available between 1 February and 31 August each year. The undrawn facilities available at 31 December 2015, in respect of which all conditions precedent had been met, were as follows:

| | **2015 £'000** | 2014 £'000 |
|---|---|---|
| Committed: | | |
| Expiring in more than 2 years but not more than 5 years | **43,875** | 34,693 |
| Expiring in 1 year or less | **-** | 25,000 |
| Uncommitted: | | |
| Expiring in 1 year or less | **15,000** | 15,000 |
| | **58,875** | 74,693 |

In July 2015, following the continued steady reduction in net debt, the Group undertook a full review of its bank facilities in order to align them with current strategy and to ensure headroom against available facilities remains at appropriate levels. On 10 July 2015, the Group decreased its committed facility levels by £30.0 million to £80.0 million, comprising new facilities with extended maturities. The committed facilities are all revolving credit facilities with interest charged at variable rate based on LIBOR. On 10 July 2015, the Group also renewed its short term working capital facilities.

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: 2020 | 20,000 | 20,000 |
| Q3: 2019 | 20,000 | 40,000 |
| Q3: 2018 | 20,000 | 60,000 |
| Q3: 2017 | 20,000 | 80,000 |
| **On demand facilities:** | | |
| Available all year | 15,000 | 95,000 |
| Seasonal (February to August inclusive) | 20,000 | 115,000 |

**10 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 2015 Annual Report. These cover the strategic, financial and operational risks and have not changed during the year.

Strategic risks include those relating to general economic conditions, Government policy, the actions of customers, suppliers and competitors and also weather conditions. The Group also continues to be subject to various financial risks in relation to access to funding and to the pension scheme, principally the volatility of the discount (AA corporate bond) rate, any downturn in the performance of equities and increases in the longevity of members. The other main financial risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk.

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 and acquisitions.

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

**11 Annual General Meeting**

The Annual General Meeting will be held at The Cedar Court Hotel, Ainley Top, Huddersfield, HD3 3RH at 11.00am on Wednesday 18 May 2016.

**The Board**

The Directors serving during the year ended 31 December 2015 were as follows:

| | |
|---|---|
| Andrew Allner | Chairman |
| Janet Ashdown | Non-Executive Director |
| Jack Clarke | Finance Director |
| Martyn Coffey | Chief Executive |
| Alan Coppin | Non-Executive Director |
| Mark Edwards | Non-Executive Director |
| Tim Pile | Non-Executive Director |

By order of the Board
**Cathy Baxandall**
Company Secretary
11 March 2016

**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.