LEI: 213800S21IFC367J5V62

Embargoed until 7.00am on Thursday 15 August 2019

Marshalls

Interim results for the half year ended 30 June 2019

Marshalls plc, the specialist Landscape Products group, announces its half year results

Financial Highlights	Half Year ended 30 June 2019	Half Year ended 30 June 2018	Increase %
Revenue	£280.1m	£244.3m	15
EBITDA – reported	£54.9m	£41.6m	32
EBITDA – pre IFRS 16	£47.3m	£41.6m	14
Operating profit – reported	£39.0m	£33.5m	16
Operating profit – pre IFRS 16	£38.4m	£33.5m	15
Profit before tax – reported	£37.1m	£32.5m	14
Profit before tax – pre IFRS 16	£37.2m	£32.5m	14
Basic EPS – reported	15.18p	13.24p	15
Basic EPS - pre IFRS 16	15.22p	13.24p	15
Interim dividend	4.70p	4.00p	18
ROCE – reported	19.3%	20.0%	Up 140
ROCE – pre IFRS 16	21.4%	20.0%	basis points
Net debt – reported	£97.7m	£48.9m	
Net debt – pre IFRS 16	£55.6m	£48.9m	

Notes:
1. The financial impact of IFRS 16 is summarised below and in Notes 2 and 3.
2. Alternative performance measures are used consistently throughout this Interim Announcement. These relate to EBITA, EBITDA and ROCE. For further details of their purpose, definition and reconciliation to the equivalent statutory measures, see Note 3.

Highlights:
- Revenue growth of 15% to £280.1 million (2018: £244.3 million)
- Operating margins slightly ahead to 13.9% (2018: 13.7%)
- Edenhall performed well in the period and its integration is on track and well advanced
- The Group's strong cash generation has continued
- Net debt of £55.6 million (2018: £48.9 million) on a pre IFRS 16 basis
- Reported net debt of £97.7 million, after the inclusion of £42.1 million IFRS 16 lease liabilities
- Payment of £23.8 million final and supplementary dividends on 28 June 2019
- Return on capital employed for the 12 months ended 30 June 2019 of 21.4% (pre IFRS 16 basis)
- Trading since the period end has remained strong

The newly launched 5 Year Strategy to 2023, as outlined at the Group's Capital Markets Day earlier this year, maintains the objective of delivering sustainable growth. The main elements are:
- Continued focus on organic growth and investment - capital expenditure of £23 million planned for 2019 to drive growth
- Increasing momentum in the delivery of the digital strategy through continued investment and continuous improvement
- Increase in research and development and new product development to drive sales growth
- Renewed focus on increasing the profitability of the Emerging UK Businesses
- Continuing to target selective bolt-on acquisition opportunities in New Build Housing, Water Management and Minerals
- Continued focus on customer service, brand, operational and manufacturing excellence and procurement efficiency
- Maintaining a strong balance sheet, a flexible capital structure and a clear capital allocation policy
- Maintaining a 2 times dividend cover policy, enhanced by supplementary dividends

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

"The Group continues to outperform the Construction Products Association's ("CPA") growth figures, despite ongoing political and Brexit uncertainty. The CPA's recent Summer Forecast predicts a decrease in UK market volumes of 0.3 per cent in 2019, followed by an increase of 1.0 per cent in 2020, while the underlying indicators in the New Build Housing, Road, Rail and Water Management markets remain supportive. Post period-end trading has remained strong.

The Board believes that the Group's new 5 year Business Strategy will continue to deliver sustainable growth, whilst maintaining a strong balance sheet and a flexible capital structure. The strategy is underpinned by strong market positions, focused investment plans and an established brand.

The Board is increasingly confident of at least achieving its expectations for 2019."

There will be a presentation for analysts and investors today at 9.00 am with a telephone dial in facility available tel: number +44 (0)330 336 9125 - Access Code: 7709523. Marshalls' Analyst Presentation will be available for analysts and investors who are unable to attend the presentation. The presentation can be viewed on Marshalls' website at www.marshalls.co.uk.

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INTERIM MANAGEMENT REPORT

Group results

Marshalls' revenue for the 6 months ended 30 June 2019 grew by 15 per cent to £280.1 million (2018: £244.3 million). Trading has remained strong in the first half despite the poor weather in June. Key underlying indicators remain positive in Marshalls' end markets. The Group's positive cash generation has continued in the period, with operating cash flow being around 90 per cent of EBITDA for the year to 30 June 2019.

Sales to the Public Sector and Commercial end market, which represented approximately 68 per cent of Group sales, increased by 21 per cent compared with the prior year period. Edenhall, which was acquired in December 2018, has continued to trade strongly and its integration is in line with our expectations and is well advanced. Excluding the impact of Edenhall, sales to the Public Sector and Commercial end market increased by 10 per cent compared with the prior year period. The Group continues to target those parts of the market where higher levels of growth are anticipated including New Build Housing, Road, Rail and Water Management.

Sales to the Domestic end market, which represented approximately 27 per cent of Group sales, increased by 3 per cent compared with the prior year period. The survey of domestic installers at the end of June 2019 shows continuing strong order books of 11.5 weeks (June 2018: 11.3 weeks; February 2019: 10.0 weeks).

Sales in the International business increased by 14 per cent in the 6 months ended 30 June 2019 and represented 5 per cent of Group sales. The Group continues to develop its global supply chains and infrastructure to ensure that international operations are sustainable and aligned with market opportunities.

Reported operating profit increased to £39.0 million (2018: £33.5 million). The impact of IFRS 16, which has been applied since 1 January 2019, has been to increase operating profit by £0.6 million. Post IFRS 16 EBITDA for the 6 months ended 30 June 2019 was £54.9 million, following the inclusion of an additional £7.0 million depreciation in relation to right-of-use assets. On a pre IFRS 16 basis, EBITDA improved to £47.3 million (2018: £41.6 million), an increase of 14 per cent.

Group return on capital employed ("ROCE") remained strong and was 21.4 per cent for the 12 months ended 30 June 2019, on a pre IFRS 16 basis (30 June 2018: 20.0 per cent). On a reported, post IFRS 16, basis ROCE reduced to 19.3 per cent, following the inclusion of £42.1 million of additional debt from lease liabilities. ROCE is defined as EBITA divided by shareholders' funds plus cash / net debt.

Net financial expenses were £1.9 million (2018: £1.0 million), including £0.7 million of additional IFRS 16 lease interest. On a reported basis interest was covered 20.2 times and, on a pre IFRS 16 basis, interest was covered 31.0 times (2018: 34.0 times). The effective tax rate was 19.0 per cent (2018: 19.5 per cent).

The impact on the Income Statement of transitioning to IFRS 16 has been marginal, with reported profit before tax of £37.1 million being only £0.1 million lower than the pre IFRS 16 figure of £37.2 million. The financial impact of IFRS 16 is summarised in more detail below and in Notes 2 and 3. Basic EPS on a reported basis was 15.18 pence (2018: 13.24 pence) per share, which represented an increase of 15 per cent.

The Board has declared an interim dividend of 4.70 pence (2018: 4.00 pence) per share, an increase of 18 per cent, reflecting the strong cash generation and the Group's continuing progressive dividend policy. The Board will continue to adhere to the Group's capital allocation policy and the policy of maintaining a 2 times dividend cover.

The Group continues to deliver strong operational cash flows through the ongoing tight control of inventory and effective management of working capital. As a consequence of the acquisition of Edenhall in December 2018 for £16.4 million, including £4.7 million of Edenhall debt taken on, the Group reported net debt of £97.7 million at 30 June 2019. This net debt figure includes £42.1 million of additional IFRS 16 lease liabilities and is £55.6 million (30 June 2018: net debt of £48.9 million) on a pre IFRS 16 basis. The half year-end net debt is after the payment of the 2018 final and supplementary dividends of £23.8 million made to shareholders on 28 June 2019.

Impact of IFRS 16

In adopting IFRS 16 from 1 January 2019, the Group has applied the modified retrospective transition approach and not restated comparative amounts for the year ended 31 December 2018. Right-of-use assets of £46.7 million and lease liabilities of £48.2 million were recognised as at 1 January 2019.

In terms of the Income Statement, the application of IFRS 16 resulted in a decrease in other operating expenses of £7.6 million and an increase in depreciation of £7.0 million for the 6 months ended 30 June 2019. The interest expense increased by £0.7 million due to additional IFRS 16 lease interest.

Marshalls' strategy: 5 years to 2023

The Group's 2020 Strategy, launched 5 years ago, has delivered strong profit growth and has been firmly aligned with the Group's aims and core values. In launching the new 5 year Business Strategy to 2023, our continuing objective is to deliver sustainable growth. Our strategic goal is to become the UK's leading manufacturer of products in the Built Environment.

The core theme of our strategy for the next 5 years will be to extend and further develop the Group's priority of driving growth. First and foremost, there will be a continued focus on organic growth and investment, with capital expenditure of £23 million planned for 2019. Further investment will drive an increasing momentum in the delivery of the Group's digital strategy and new product development, whilst the new strategy will also see a renewed focus on increasing the profitability of the Emerging UK Businesses. We will also continue to target selective bolt-on acquisition opportunities in New Build Housing, Water Management and Minerals. The Group will continue to focus on service, quality, design, innovation, continuous improvement and sustainability.

The strategy continues to recognise the importance of a strong balance sheet, a flexible capital structure and a clear capital allocation policy. These objectives seek to drive both long-term growth and shareholder returns. The Group will continue to support a progressive dividend policy, maintaining 2 times dividend cover enhanced, where appropriate, by supplementary dividends.

Operating performance

The reported operating margin was 13.9 per cent (30 June 2018: 13.7 per cent). Pre IFRS 16 operating margins were in line with the prior half year period at 13.7 per cent. Excluding the impact of Edenhall, the operating margin increased to 14.0 per cent. The operating margin at Edenhall has historically been lower than in Marshalls' core business and this represents an opportunity. Both Edenhall and CPM have continued to deliver strong trading results and the half year performance is in line with expectations.

Revenue increased by £15.2 million and operating profit by £2.7 million in the Landscape Products business, which is a reportable segment serving both the Public Sector and Commercial and Domestic end markets. Operating margins within the Landscape Products business increased, reflecting the continued delivery of sustainable cost reductions and operational efficiency improvements as part of our previous 2020 Strategy programmes.

Revenue increased by £20.6 million and operating profit by £2.2 million in our other businesses, which now includes Edenhall. Increasing profitability in the Emerging UK Businesses remains a key priority and Landscape Protection, Mineral Products and Premier Mortars remain important growth drivers for the Group.

In the Domestic end market, the Group's strategy continues to be to drive more sales through the Marshalls Register of approved domestic installers. This ensures a consistently high standard of quality, customer service and marketing support. The Marshalls Register is unique and comprises approximately 1,900 installer teams. We remain focused on providing outstanding customer experience by extending digitisation and our commitment to innovation. The aim is to ensure that Marshalls is the supplier of choice.

In the Public Sector and Commercial end market, Marshalls' strategy is to offer sustainable integrated solutions to customers, architects and contractors, focusing on those market areas where future demand is considered to be greatest, including New Build Housing, Road, Rail and Water Management. Our "Design Space" office in Central London showcases the Group's brand-leading capabilities and technical and design solutions. We are currently in the process of opening another "Design Space" office in Birmingham to service the growing market demand and the major redevelopment of the City.

The Group continues to focus on innovation and new product development to drive sales growth. Research and development expenditure in the 6 months ended 30 June 2019 was £2.5 million (2018: £2.2 million). This investment includes project engineering to enhance manufacturing capabilities, concrete and other materials technology innovations and extending the new product pipeline. New product ranges incorporating the Group's new surface performance technology ("SPT") have seen significant recent growth and new initiatives also include the low maintenance "vitrified paving" range. Technology advances are also building in additional resilience to our Landscape Protection products, such as the Super Shallow 100 Bollard. Revenue from new products in the core Landscape Products business has continued strongly and represented 13 per cent of Group sales in the 6 months ended 30 June 2019.

Continued investment is being directed at enhancing the Group's digital capability. The aim is to provide a world-class experience throughout the entire customer journey and to ensure that customers receive the right data, at the right time, in the right format. The digital strategy is underpinned by continuous improvement and we are currently integrating artificial intelligence into key business systems. This will create a new artificial intelligence infrastructure upon which other business initiatives will be able to leverage.

Capital investment in property, plant and equipment in the 6 months ended 30 June 2019 totalled £10.0 million (2018: £14.1 million) and this compares with pre IFRS 16 depreciation of £7.7 million (2018: £7.4 million). The Group's self help investment programme remains an important part of our strategy and total capital expenditure of £23 million is planned in 2019. A number of major manufacturing projects are currently in progress across the network. CPM's new precast factory at Mells in Somerset was completed in 2018 and has increased the manufacturing capability for bespoke water management solutions. Edenhall has recently commissioned a new £6 million state-of-the-art factory in South Wales. Manufacturing is now well underway and the new facility will drive growth and have the capacity to deliver 100 million brick equivalents per annum.

Balance sheet and cash flow

Net assets at 30 June 2019 were £278.2 million (June 2018: £244.6 million).

Cash generation remains strong, and reported net cash flows from operating activities were £24.3 million in the 6 months ended 30 June 2019. On a pre IFRS 16 basis net cash flows from operating activities were £16.6 million (2018: £14.0 million). The Group continues to focus on robust capital disciplines, with strong cash management continuing to be a high priority area. The Group operates tight control over business, operational and financial procedures, and continues to focus on inventory levels and the close control of credit management procedures. The Group maintains credit insurance which provides excellent intelligence to minimise the number and value of bad debts. The Group does not engage in debt factoring.

The Group's existing bank facilities provide headroom against available facilities at appropriately conservative levels. In addition to our short-term working capital facilities with RBS, we maintain a policy of having a range of committed facilities in place with a positive spread of medium-term maturities, which now extend to 2024. In August 2019 we also increased our committed facilities by entering into a new revolving credit facility of £35 million with HSBC. This has increased the capacity within our banking facilities to fund organic investment and selective "bolt-on" acquisitions.

The balance sheet value of the Group's defined benefit pension scheme was a surplus of £20.6 million at 30 June 2019 (December 2018: £13.5 million surplus; June 2018: £11.5 million surplus). The surplus has been determined by the scheme actuary using assumptions that are considered to be prudent and in line with current market levels. During the last 6 months the AA corporate bond rate has fallen from 2.75 per cent to 2.35 per cent and this is in line with market movements. The expected rate of CPI inflation has remained at 2.15 per cent. The balance sheet value continues to benefit from the high proportion of liability-driven investments whose performance matches the liabilities.

Dividend

The Group has a progressive dividend policy with a stated objective of achieving up to 2 times dividend cover over the business cycle. The Board has declared an interim dividend of 4.70 pence (June 2018: 4.00 pence) per share, an increase of 18 per cent, which reflects the Group's strong cash generation. This dividend will be paid on 4 December 2019 to shareholders on the register at the close of business on 18 October 2019. The ex-dividend date will be 17 October 2019.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining 6 months of the financial year and could cause actual results to differ materially from expected and historical results. The Board does not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 December 2018. A detailed explanation of the risks, and how the Group seeks to mitigate these risks, can be found on pages 23 to 27 of the 2018 Annual Report, which is available at www.marshalls.co.uk/investor/annual-and-interim-reports.

Going concern

As stated in Note 1 of the 2019 Half Year Report, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the Half Year Report.

Outlook

The Group continues to outperform the Construction Products Association's ("CPA") growth figures, despite ongoing political and Brexit uncertainty. The CPA's recent Summer Forecast predicts a decrease in UK market volumes of 0.3 per cent in 2019, followed by an increase of 1.0 per cent in 2020, while the underlying indicators in the New Build Housing, Road, Rail and Water Management markets remain supportive. Post period-end trading has remained strong.

The Board believes that the Group's new 5 year Business Strategy will continue to deliver sustainable growth, whilst maintaining a strong balance sheet and a flexible capital structure. The strategy is underpinned by strong market positions, focused investment plans and an established brand.

The Board is increasingly confident of at least achieving its expectations for 2019.

Martyn Coffey
Chief Executive

Condensed Consolidated Income Statement

for the half year ended 30 June 2019

	Notes	Half year ended June 2019 £'000	Half year ended June 2018 £'000	Year ended December 2018 £'000
Revenue	4	**280,107**	244,340	490,988
Net operating costs	5	**(241,085)**	(210,827)	(426,154)
Operating profit	4	**39,022**	33,513	64,834
Financial expenses	6	**(1,931)**	(986)	(1,904)
Financial income		**1**	-	5
Profit before tax	4	**37,092**	32,527	62,935
Income tax expense	7	**(7,055)**	(6,350)	(11,307)
Profit for the financial period		**30,037**	26,177	51,628
Profit for the period				
Attributable to:				
Equity shareholders of the Parent		**30,100**	26,158	51,958
Non-controlling interests		**(63)**	19	(330)
		30,037	26,177	51,628
Earnings per share				
Basic	8	**15.18p**	13.24p	26.29p
Diluted	8	**15.07p**	13.13p	26.08p
Dividend				
Pence per share	9	**8.00p**	6.80p	10.80p
Supplementary		**4.00p**	4.00p	4.00p
Dividends declared	9	**23,802**	21,344	29,250

All results relate to continuing operations.

Condensed Consolidated Statement of Comprehensive Income

for the half year ended 30 June 2019

	Half year ended June **2019** **£'000**	Half year ended June 2018 £'000	Year ended December 2018 £'000
Profit for the financial period	**30,037**	26,177	51,628
Other comprehensive income / (expense)			
Items that will not be reclassified to the Income Statement:			
Remeasurement of the net defined benefit asset	**7,590**	7,699	9,985
Deferred tax arising	**(1,290)**	(1,309)	(1,698)
Total items that will not be reclassified to the Income Statement	**6,300**	6,390	8,287
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	**216**	500	528
Fair value of cash flow hedges transferred to the Income Statement	**(62)**	(262)	(668)
Deferred tax arising	**(26)**	(38)	27
Exchange difference on retranslation of foreign currency net investment	**27**	62	(208)
Exchange movements associated with borrowings	**(17)**	(84)	199
Foreign currency translation differences – non-controlling interests	**(5)**	(5)	(35)
Total items that are or may be reclassified subsequently to the Income Statement	**133**	173	(157)
Other comprehensive income for the period, net of income tax	**6,433**	6,563	8,130
Total comprehensive income for the period	**36,470**	32,740	59,758
Attributable to:			
Equity shareholders of the Parent	**36,538**	32,726	60,123
Non-controlling interests	**(68)**	14	(365)
	36,470	32,740	59,758

Condensed Consolidated Balance Sheet

as at 30 June 2019

	Notes	June 2019 £'000	June 2018 £'000	December 2018 £'000
Assets				
Non-current assets				
Property, plant and equipment		**190,036**	173,662	190,991
Right-of-use assets	10	**40,934**	-	-
Intangible assets		**89,727**	73,318	89,645
Employee benefits	12	**20,609**	11,498	13,516
Deferred taxation assets		**2,399**	1,324	1,406
		343,705	259,802	295,558
Current assets				
Inventories		**93,260**	84,867	84,361
Trade and other receivables		**101,923**	94,644	80,430
Cash and cash equivalents		**11,169**	20,617	45,709
Derivative financial instruments		**430**	654	276
		206,782	200,782	210,776
Total assets		**550,487**	460,584	506,334
Liabilities				
Current liabilities				
Trade and other payables		**127,025**	114,394	121,953
Corporation tax		**11,635**	8,282	9,683
Short-term lease liabilities	11	**10,175**	-	-
Interest-bearing loans and borrowings		**21,301**	34	2,974
		170,136	122,710	134,610
Non-current liabilities				
Long-term lease liabilities	11	**32,702**	-	-
Interest-bearing loans and borrowings		**44,688**	69,484	80,168
Provisions		**6,462**	7,540	7,288
Deferred taxation liabilities		**18,328**	16,274	17,553
		102,180	93,298	105,009
Total liabilities		**272,316**	216,008	239,619
Net assets		**278,171**	244,576	266,715
Equity				
Capital and reserves attributable to equity shareholders of the Parent				
Share capital		**50,017**	49,845	49,998
Share premium account		**24,532**	22,695	24,326
Own shares		**(1,406)**	(919)	(888)
Capital redemption reserve		**75,394**	75,394	75,394
Consolidation reserve		**(213,067)**	(213,067)	(213,067)
Hedging reserve		**401**	586	273
Retained earnings		**341,274**	308,569	329,585
Equity attributable to equity shareholders of the Parent		**277,145**	243,103	265,621
Non-controlling interests		**1,026**	1,473	1,094
Total equity		**278,171**	244,576	266,715

Condensed Consolidated Cash Flow Statement

for the half year ended 30 June 2019

	Half year ended June 2019 £'000	Half year ended June 2018 £'000	Year ended December 2018 £'000
Profit for the financial period	**30,037**	26,177	51,628
Income tax expense	**7,055**	6,350	11,307
Profit before tax	**37,092**	32,527	62,935
Adjustments for:			
Depreciation	**14,740**	7,427	14,199
Amortisation	**1,183**	717	1,759
Net gain on sale of property, plant and equipment	**(108)**	(954)	(738)
Share-based payment expense	**1,313**	534	534
Financial income and expenses (net)	**1,930**	986	1,899
Operating cash flow before changes in working capital	**56,150**	41,237	80,588
Increase in trade and other receivables	**(21,672)**	(26,729)	(6,927)
Increase in inventories	**(8,925)**	(7,045)	(4,314)
Increase in trade and other payables	**5,069**	14,830	6,909
Operational restructuring costs paid	**-**	(917)	(1,244)
Acquisition costs paid	**(375)**	(594)	(594)
Cash generated from operations	**30,247**	20,782	74,418
Financial expenses paid	**(740)**	(707)	(1,308)
Income tax paid	**(5,225)**	(6,057)	(9,855)
Net cash flow from operating activities	**24,282**	14,018	63,255
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**108**	1,571	1,637
Financial income received	**1**	-	5
Acquisition of subsidiary undertaking	**-**	-	(11,726)
Acquisition of property, plant and equipment	**(8,799)**	(13,539)	(27,296)
Acquisition of intangible assets	**(1,266)**	(557)	(1,995)
Net cash flow from investing activities	**(9,956)**	(12,525)	(39,375)
Cash flows from financing activities			
Proceeds from issue of share capital	**225**	-	1,784
Payments to acquire own shares	**(1,470)**	(1,210)	(1,210)
Payments in respect of share-based awards	**-**	(3,683)	(3,683)
(Decrease) / increase in bank borrowings	**(16,149)**	25,500	39,000
Increase in debt on acquisition of subsidiaries	**-**	-	(4,742)
Cash payments in respect of lease liabilities	**(7,673)**	-	-
Equity dividends paid	**(23,802)**	(21,344)	(29,250)
Net cash flow from financing activities	**(48,869)**	(737)	1,899
Net (decrease) / increase in cash and cash equivalents	**(34,543)**	756	25,779
Cash and cash equivalents at the beginning of the period	**45,709**	19,845	19,845
Effect of exchange rate fluctuations	**3**	16	85
Cash and cash equivalents at the end of the period	**11,169**	20,617	45,709

Condensed Consolidated Statement of Changes in Equity

for the half year ended 30 June 2019

	Attributable to equity holders of the Company									
	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolid-ation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000	Non-con-trolling interests £'000	Total Equity £'000
At 1 January 2019	**49,998**	**24,326**	**(888)**	**75,394**	**(213,067)**	**273**	**329,585**	**265,621**	**1,094**	**266,715**
Effect of initial application of IFRS 16 (Note 2)	**-**	**-**	**-**	**-**	**-**	**-**	**(1,842)**	**(1,842)**	**-**	**(1,842)**
At 1 January 2019 – as restated	**49,998**	**24,326**	**(888)**	**75,394**	**(213,067)**	**273**	**327,743**	**263,779**	**1,094**	**264,873**
Total comprehensive income / (expense) for the period										
Profit for the financial period attributable to equity shareholders of the Parent	**-**	**-**	**-**	**-**	**-**	**-**	**30,100**	**30,100**	**(63)**	**30,037**
Other comprehensive income / (expense)										
Foreign currency translation differences	**-**	**-**	**-**	**-**	**-**	**-**	**10**	**10**	**(5)**	**5**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**-**	**-**	**-**	**216**	**-**	**216**	**-**	**216**
Net change in fair value of cash flow hedges transferred to the Income Statement	**-**	**-**	**-**	**-**	**-**	**(62)**	**-**	**(62)**	**-**	**(62)**
Deferred tax arising	**-**	**-**	**-**	**-**	**-**	**(26)**	**-**	**(26)**	**-**	**(26)**
Defined benefit plan actuarial gain	**-**	**-**	**-**	**-**	**-**	**-**	**7,590**	**7,590**	**-**	**7,590**
Deferred tax arising	**-**	**-**	**-**	**-**	**-**	**-**	**(1,290)**	**(1,290)**	**-**	**(1,290)**
Total other comprehensive income / (expense)	**-**	**-**	**-**	**-**	**-**	**128**	**6,310**	**6,438**	**(5)**	**6,433**
Total comprehensive income / (expense) for the period	**-**	**-**	**-**	**-**	**-**	**128**	**36,410**	**36,538**	**(68)**	**36,470**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**1,313**	**1,313**	**-**	**1,313**
Deferred tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**410**	**410**	**-**	**410**
Corporation tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**152**	**152**	**-**	**152**
Dividends to equity shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**(23,802)**	**(23,802)**	**-**	**(23,802)**
Shares issued	**19**	**206**	**-**	**-**	**-**	**-**	**-**	**225**	**-**	**225**
Purchase of own shares	**-**	**-**	**(1,470)**	**-**	**-**	**-**	**-**	**(1,470)**	**-**	**(1,470)**
Disposal of own shares	**-**	**-**	**952**	**-**	**-**	**-**	**(952)**	**-**	**-**	**-**
Total contributions by and distributions to owners	**19**	**206**	**(518)**	**-**	**-**	**-**	**(22,879)**	**(23,172)**	**-**	**(23,172)**
Total transactions with owners of the Company	**19**	**206**	**(518)**	**-**	**-**	**128**	**13,531**	**13,366**	**(68)**	**13,298**
At 30 June 2019	**50,017**	**24,532**	**(1,406)**	**75,394**	**(213,067)**	**401**	**341,274**	**277,145**	**1,026**	**278,171**

Condensed Consolidated Statement of Changes in Equity (continued)

for the half year ended 30 June 2019

	Share capital £'000	Share premium account £'000	Own shares £'000	Capital Redemption Reserve £'000	Consolid-ation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000	Non-con-trolling interests £'000	Total equity £'000
	Attributable to equity holders of the Company									
Prior half 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 / (expense) for the period										
Profit for the financial period attributable to equity shareholders of the Parent	-	-	-	-	-	-	26,158	26,158	19	26,177
Other comprehensive income / (expense)										
Foreign currency translation differences	-	-	-	-	-	-	(22)	(22)	(5)	(27)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	-	500	-	500	-	500
Net change in fair value of cash flow hedges transferred to the Income Statement	-	-	-	-	-	(262)	-	(262)	-	(262)
Deferred tax arising	-	-	-	-	-	(38)	-	(38)	-	(38)
Defined benefit plan actuarial gain	-	-	-	-	-	-	7,699	7,699	-	7,699
Deferred tax arising	-	-	-	-	-	-	(1,309)	(1,309)	-	(1,309)
Total other comprehensive income / (expense)	-	-	-	-	-	200	6,368	6,568	(5)	6,563
Total comprehensive income / (expense) for the period	-	-	-	-	-	200	32,526	32,726	14	32,740
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	-	-	-	-	-	-	(3,149)	(3,149)	-	(3,149)
Deferred tax on share-based payments	-	-	-	-	-	-	(352)	(352)	-	(352)
Corporation tax on share-based payments	-	-	-	-	-	-	264	264	-	264
Dividends to equity shareholders	-	-	-	-	-	-	(21,344)	(21,344)	-	(21,344)
Purchase of own shares	-	-	(1,210)	-	-	-	-	(1,210)	-	(1,210)
Disposal of own shares	-	-	2,650	-	-	-	(2,650)	-	-	-
Total contributions by and distributions to owners	-	-	1,440	-	-	-	(27,231)	(25,791)	-	(25,791)
Total transactions with owners of the Company	-	-	1,440	-	-	200	5,295	6,935	14	6,949
At 30 June 2018	49,845	22,695	(919)	75,394	(213,067)	586	308,569	243,103	1,473	244,576

Condensed Consolidated Statement of Changes in Equity (continued)

for the half year ended 30 June 2019

	Attributable to equity holders of the Company									
	Share capital £'000	Share premium account £'000	Own shares £'000	Capital Redemption reserve £'000	Consolid-ation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000	Non-con-trolling £'000	Total equity £'000
Prior 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 / (expense) for the year										
Profit for the financial period 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 / (expense)	-	-	-	-	-	(113)	8,278	8,165	(35)	8,130
Total comprehensive income / (expense) 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

Notes to the Condensed Consolidated Financial Statements

for the half year ended 30 June 2019

1. Basis of preparation

Marshalls plc (the “Company”) is a company domiciled in the United Kingdom. The Condensed Consolidated Financial Statements of the Company for the half year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Condensed Consolidated Financial Statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority and the requirements of IAS 34 "*Interim Financial Reporting*" as adopted by the European Union ("EU").

The Condensed Consolidated Financial Statements do not constitute statutory financial statements and do not include all the information and disclosures required for full annual financial statements. The Condensed Consolidated Half Year Financial Statements were approved by the Board on 15 August 2019. The Condensed Consolidated Half Year Financial Statements are not statutory accounts as defined by Section 434 of the Companies Act 2006.

The Condensed Consolidated Financial Statements for the half year ended 30 June 2019 and the comparative period have not been audited. The Auditor has carried out a review of the Half Year Financial Information and its report is set out below.

The financial information for the year ended 31 December 2018 has been extracted from the Annual Financial Statements, included in the Annual Report 2018, which has been filed with the Registrar of Companies. The report of the Auditor was: (i) unqualified; (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying its report; and (iii) did not contain a statement under Section 498 (2) and (3) of the Companies Act 2006.

The Annual Financial Statements of the Group are prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the EU. As required by the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority and, other than in respect of IFRS 16 which applied from 1 January 2019, the condensed set of Financial Statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published Consolidated Financial Statements for the year ended 31 December 2018.

The Condensed Consolidated Half Year 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 preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing these Condensed Consolidated Half Year Financial Statements, other than in respect of IFRS 16, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Consolidated Financial Statements of the Group for the year ended 31 December 2018. Significant judgements were made in applying IFRS 16 in relation to the incremental borrowing rates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Details of the Group's funding position are set out in Note 15 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 6 August 2019. Management believes that 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 that is not dependent on facility renewals. After considering relevant uncertainties, the Directors believe that the Group is well placed to manage its business risks successfully. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Consolidated Half Year Financial Statements.

2. Accounting policies

The Group has applied IFRS 16 *"Leases*", with effect from 1 January 2019.

Other than in respect of IFRS 16, the accounting policies have been applied consistently throughout the Group for the purposes of these Condensed Consolidated Half Year Financial Statements and are also set out on the Company's website (www.marshalls.co.uk). Other than in respect of IFRS 16, the same accounting policies and methods of computation are followed in the Condensed Consolidated Half Year Financial Statements as compared to the most recent Annual Financial Statements. The Condensed Consolidated Half Year Financial Statements are presented in Sterling, rounded to the nearest thousand.

IFRS 16 "*Leases*"

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 for the impact of lease modifications, amongst others. The classification of cash flows is affected because operating lease payments under IAS 17 are presented as operating cash flows, whereas, under the IFRS 16 model, the lease payments are split into a principal and an interest portion which are presented as financing and operating cash flows respectively. Depreciation of the right-of-use asset is recognised in the Income Statement on a straight line basis, with interest recognised on the lease liability.

In adopting IFRS 16 from 1 January 2019, the Group has applied the modified retrospective transition approach and not restated comparative amounts for the year ended 31 December 2018. Right-of-use assets of £46,719,000 and lease liabilities of £48,218,000 were recognised as at 1 January 2019. 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 has elected 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 impairments 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.

Financial impact of IFRS 16

(a) Impact on transition

On transition to IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

	1 January 2019 £'000
Right-of-use assets	46,719
Lease liabilities	(48,218)
Retained earnings	1,842
Deferred tax	415
Reclassification of prepayments and accruals	(3)
Reclassification of finance leases	(755)
	-

Included in the transition values for right-of-use assets and lease liabilities are £1,696,000 and £941,000 respectively in relation to previously recognised finance leases under IAS 17. The net assets value in respect of these items was £755,000.

Of the total right-of-use assets of £46,719,000 recognised at 1 January 2019, £20,910,000 related to leases of property and £25,809,000 to leases of plant and machinery.

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019.

	£'000
Operating lease commitments disclosed under IAS 17 at 31 December 2018	66,508
Exclusion of service / maintenance elements of a contract from the lease liability	(8,934)
Effect of discounting	(10,297)
Finance lease liabilities recognised under IAS 17 at 31 December 2018	941
Lease liabilities recognised at 1 January 2019	**48,218**

The lease liabilities were discounted at the incremental borrowing rate at 1 January 2019. The weighted average discount rate applied was 2.9 per cent.

(b) Impact for the period

In terms of the Income Statement impact, the application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared to IAS 17. During the 6 months ended 30 June 2019, in relation to leases under IFRS 16, the Group recognised the following amounts in the Consolidated Income Statement.

	£'000
Depreciation	7,065
Interest expense	693
Other lease payments including short-term and low value lease expenses	1,604
	9,362

The reconciliation of the Income Statement is as follows:

	Pre IFRS 16 June 2019 £'000	**Impact of IFRS 16 £'000**	**As reported June 2019 £'000**	June 2018 £'000
Revenue	**280,107**	**-**	**280,107**	244,340
Net operating costs	**(241,673)**	**588**	**(241,085)**	(210,827)
Operating profit	**38,434**	**588**	**39,022**	33,513
Finance charges (net)	**(1,237)**	**(693)**	**(1,930)**	(986)
Profit before tax	**37,197**	**(105)**	**37,092**	32,527
Income tax	**(7,055)**	**-**	**(7,055)**	(6,350)
Profit after tax	**30,142**	**(105)**	**30,037**	26,177

(c) Impact on the Cash Flow Statement

Under IFRS 16 the cash payments for leasing are presented within financing activities and amount to £7,673,000 in the Consolidated Cash Flow Statement. Under IAS 17 operating lease payments were presented as operating cash outflows. The impact on the Consolidated Cash Flow Statement for the half year ended 30 June 2019 has been to increase net cash flow from operating activities to £24,282,000. On a pre IFRS 16 basis net cash flows from operating activities would have been £16,609,000.

(d) Impact on financial metrics

	Pre IFRS 16 June 2019	Impact of IFRS 16	As reported June 2019	June 2018
Profit before tax (£'000)	**37,197**	**(105)**	**37,092**	32,527
EBITDA (£'000)	**47,292**	**7,653**	**54,945**	41,657
EPS (pence)	**15.22**	**(0.04)**	**15.18**	13.24
Net debt (£'000)	**55,629**	**42,068**	**97,697**	48,901
ROCE (%)	**21.4**	**(2.1)**	**19.3**	20.0
Debt debt : EBITDA	**0.6**	**0.4**	**1.0**	0.7
Gearing (%)	**19.8**	**15.3**	**35.1**	20.0

3. Alternative performance measures

The Group used alternative performance measures ("APMs") which are not defined or specified under IFRS. The Group believes that its 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.

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.

	As reported June 2019 £'000	Pre IFRS 16 June 2019 £'000	Pre IFRS 16 June 2018 £'000	Pre IFRS 16 December 2018 £'000	Increase %
EBITDA	**54,945**	**47,292**	41,657	80,792	14
Depreciation	**(14,740)**	**(7,675)**	(7,427)	(14,199)	
EBITA	**40,205**	**39,617**	34,230	66,593	
Amortisation of intangible assets	**(1,183)**	**(1,183)**	(717)	(1,759)	
Operating profit	**39,022**	**38,434**	33,513	64,834	15

ROCE

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

	As reported June 2019 £'000	Pre IFRS 16 June 2019 £'000	Pre IFRS 16 June 2018 £'000	Pre IFRS 16 December 2018 £'000
EBITA - half year ended 30 June	**40,205**	**39,617**	34,230	34,230
EBITA - half year ended 31 December	**32,363**	**32,363**	24,248	32,363
EBITA - year ended 30 June	**72,568**	**71,980**	58,478	66,593
Shareholders' funds	**278,171**	**280,425**	244,576	266,715
Net debt	**97,697**	**55,629**	48,901	37,433
	375,868	**336,054**	293,477	304,148
Reported ROCE	**19.3%**	**21.4%**	20.0%	21.9%

4. Segmental analysis

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

The Landscape Products reportable segment operates a national manufacturing plan that is structured around a series of production units throughout the UK, in conjunction with a single logistics and distribution operation. A national planning process supports sales to both of the key end markets, namely the UK Domestic and UK 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 Landscape Protection, Mineral Products, Premier Mortars and International operations, which do not currently meet the IFRS 8 reporting requirements. Following its 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 revenues and results

	Half year ended June 2019			Half year ended June 2018			Year ended December 2018		
	Landscape Products £'000	**Other £'000**	**Total £'000**	Landscape Products £'000	Other £'000	Total £'000	Landscape Products £'000	Other £'000	Total £'000
External revenue	**213,824**	**68,350**	**282,174**	197,545	48,745	246,290	398,128	96,943	495,071
Inter-segment revenue	**(143)**	**(1,924)**	**(2,067)**	(105)	(1,845)	(1,950)	(228)	(3,855)	(4,083)
Total revenue	**213,681**	**66,426**	**280,107**	197,440	46,900	244,340	397,900	93,088	490,988
Segment operating profit	**38,831**	**3,158**	**41,989**	35,489	1,010	36,499	68,418	2,095	70,513
Unallocated administration costs			**(2,967)**			(2,986)			(5,679)
Operating profit			**39,022**			33,513			64,834
Finance charges (net)			**(1,930)**			(986)			(1,899)
Profit before tax			**37,092**			32,527			62,935
Taxation			**(7,055)**			(6,350)			(11,307)
Profit after tax			**30,037**			26,177			51,628

Segment assets

	June 2019 £'000	June 2018 £'000	December 2018 £'000
Property, plant, equipment and inventory:			
Landscape Products	**210,937**	200,973	201,489
Other	**72,359**	57,556	73,863
Total segment property, plant, equipment and inventory	**283,296**	258,529	275,352
Unallocated assets	**267,191**	202,055	230,982
Consolidated total assets	**550,487**	460,584	506,334

For the purpose of monitoring segment performance and allocating performance between segments, the Group's CODM monitors the property, plant and equipment and inventory. Assets used jointly by reportable segments are not allocated to individual reportable segments. Right-of-use assets are not currently monitored by the Group's CODM on a segmental basis and have been included in unallocated assets.

Other segment information

	Depreciation and amortisation (pre IFRS 16)			**Property, plant and equipment additions**		
	Half year ended June		Year ended December	Half year ended June		Year ended December
	2019 £'000	2018 £'000	2018 £'000	**2019 £'000**	2018 £'000	2018 £'000
Landscape Products	**7,009**	5,816	13,251	**7,307**	11,376	21,060
Other	**1,849**	2,328	2,707	**1,494**	713	6,256
	8,858	8,144	15,958	**8,801**	12,089	27,316

Geographical destination of revenue

	Half year ended June		Year ended December
	2019 £'000	2018 £'000	2018 £'000
United Kingdom	**264,724**	230,784	467,032
Rest of the World	**15,383**	13,556	23,956
	280,107	244,340	490,988

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.

5. Net operating costs

	Half year ended June 2019 £'000	Half year ended June 2018 £'000	Year ended December 2018 £'000
Raw materials and consumables	**98,141**	81,871	172,175
Changes in inventories of finished goods and work in progress	**5,317**	6,241	6,267
Personnel costs	**64,185**	57,633	116,588
Depreciation of property, plant and equipment	**7,675**	7,427	14,199
Depreciation of right-of-use assets	**7,065**	-	-
Amortisation of intangible assets	**1,183**	717	1,759
Own work capitalised	**(1,368)**	(1,494)	(3,340)
Other operating costs	**58,531**	50,570	102,827
Leasing costs	**1,604**	8,913	17,360
Restructuring costs	**-**	917	1,244
Acquisition costs	**-**	-	375
Operating costs	**242,333**	212,795	429,454
Other operating income	**(1,140)**	(1,014)	(2,562)
Net gain on asset and property disposals	**(108)**	(954)*	(738)*
Net operating costs	**241,085**	210,827	426,154

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

In the prior year period operating lease costs were expensed in accordance with the requirements of IAS 17. For the period ended 30 June 2019, leasing expenses for short-term leases as well as leases of low value assets remain within leasing costs, because the Group has applied the recognition exemption for those contracts provided by IFRS 16. Right-of-use assets are depreciated over the lease term.

6. Financial expenses and income

	Half year ended June 2019 £'000	Half year ended June 2018 £'000	Year ended December 2018 £'000
Financial expenses			
Net interest expense on defined benefit pension scheme	**447**	278	496
Interest expense on bank loans, overdrafts and loan notes	**791**	705	1,403
Interest expense on lease liabilities	**693**	3	5
	1,931	986	1,904

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

7. Income tax expense

	Half year ended June 2019 £'000	Half year ended June 2018 £'000	Year ended December 2018 £'000
Current tax expense			
Current year	**8,067**	5,624	11,269
Adjustments for prior years	**(291)**	(320)	(934)
	7,776	5,304	10,335
Deferred taxation expense			
Origination and reversal of temporary differences:			
Current year	**(469)**	998	921
Adjustments for prior years	**(252)**	48	51
Total tax expense	**7,055**	6,350	11,307

	Half year ended June 2019 %	Half year ended June 2019 £'000	Half year ended June 2018 %	Half year ended June 2018 £'000	Year ended December 2018 %	Year ended December 2018 £'000
Reconciliation of effective tax rate						
Profit before tax	**100.0**	**37,092**	100.0	32,527	100.0	62,935
Tax using domestic corporation tax rate	**19.0**	**7,047**	19.0	6,180	19.0	11,957
Impact of deprecation in excess of capital allowances	**2.2**	**809**	0.1	27	(0.6)	(402)
Short-term timing differences	**0.9**	**308**	1.0	328	0.9	595
Adjustment to tax charge in prior period	**(0.8)**	**(291)**	(1.0)	(320)	(1.5)	(934)
Expenses not deductible for tax purposes	**(0.3)**	**(97)**	(2.8)	(911)	(1.4)	(881)
Corporation tax charge for the year	**21.0**	**7,776**	16.3	5,304	16.4	10,335
Impact of capital allowances in excess of depreciation	**(0.4)**	**(138)**	0.3	82	(0.2)	(130)
Short-term timing differences	**(0.5)**	**(176)**	2.6	860	1.8	1,139
Pension scheme movements	**(0.2)**	**(84)**	-	-	(0.2)	(101)
Other items	**0.4**	**151**	-	(3)	0.5	300
Adjustment to tax charge in prior period	**(0.7)**	**(252)**	0.1	48	0.1	51
Impact of the change in the rate of corporation tax on deferred taxation	**(0.6)**	**(222)**	0.2	59	(0.4)	(287)
Total tax charge for the year	**19.0**	**7,055**	19.5	6,350	18.0	11,307

The net amount of deferred taxation debited to the Consolidated Statement of Comprehensive Income in the period was £1,316,000 (30 June 2018: £1,347,000 debit; 31 December 2018: £1,671,000 debit). The effective tax rate used is management's best estimate of the average annual effective tax rate expected for the full year, applied to pre-tax income for the 6-month period.

8. Earnings per share

Basic earnings per share of 15.18 pence (30 June 2018: 13.24 pence; 31 December 2018: 26.29 pence) per share is calculated by dividing the profit attributable to Ordinary Shareholders for the financial period after adjusting for non-controlling interests of £30,100,000 (30 June 2018: £26,158,000; 31 December 2018: £51,958,000) by the weighted average number of shares in issue during the period of 198,330,626 (30 June 2018: 197,619,775; 31 December 2018: 197,669,293).

Profit attributable to Ordinary Shareholders

	Half year ended June 2019 £'000	2018 £'000	Year ended December 2018 £'000
Profit for the financial period	**30,037**	26,177	51,628
Result attributable to non-controlling interests	**63**	(19)	330
Profit attributable to Ordinary Shareholders	**30,100**	26,158	51,958

Weighted average number of Ordinary Shares

	Half year ended June 2019 Number	2018 Number	Year ended December 2018 Number
Number of issued Ordinary Shares	**200,044,482**	199,378,755	199,419,571
Effect of shares transferred into employee benefit trust	**(1,713,856)**	(1,758,980)	(1,750,278)
Weighted average number of Ordinary Shares	**198,330,626**	197,619,775	197,669,293

Diluted earnings per share of 15.07 pence (30 June 2018: 13.13 pence; 31 December 2018: 26.08 pence) per share is calculated by dividing the profit for the financial period, after adjusting for non-controlling interests of £30,100,000 (30 June 2018: £26,158,000; 31 December 2018: £51,958,000), by the weighted average number of shares in issue during the period of 198,330,626 (30 June 2018: 197,619,775; 31 December 2018: 197,669,293), plus potentially dilutive shares of 1,395,396 (30 June 2018: 1,609,647; 31 December 2018: 1,548,929), which totals 199,726,022 (30 June 2018: 199,229,422; 31 December 2018: 199,218,222).

Weighted average number of Ordinary Shares (diluted)

	Half year ended June 2019 Number	2018 Number	Year ended December 2018 Number
Weighted average number of Ordinary Shares	**198,330,626**	197,619,775	197,669,293
Dilutive shares	**1,395,396**	1,609,647	1,548,929
Weighted average number of Ordinary Shares (diluted)	**199,726,022**	199,229,422	199,218,222

9. Dividends

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

	Pence per qualifying share	Half year ended June 2019 £'000	2018 £'000	Year ended December 2018 £'000
2019 interim	4.70	**9,323**	-	-
2018 supplementary	4.00	**-**	-	7,930
2018 final	8.00	**-**	-	15,860
2018 interim	4.00	**-**	7,906	7,906
		9,323	7,906	31,696

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

	Pence per qualifying share	Half year ended June **2019** **£'000**	2018 £'000	Year ended December 2018 £'000
2018 supplementary	4.00	**7,934**	-	-
2018 final	8.00	**15,868**	-	-
2018 interim	4.00	**-**	-	7,906
2017 supplementary	4.00	**-**	7,905	7,905
2017 final	6.80	**-**	13,439	13,439
		23,802	21,344	29,250

The 2018 final dividend of 8.00 pence per qualifying Ordinary Share alongside a supplementary dividend of 4.00 pence per qualifying Ordinary Share (total value £23,802,000) was paid on 28 June 2019 to shareholders registered at the close of business on 7 June 2019.

The Board has declared an interim dividend of 4.70 pence (June 2018: 4.00 pence) per share. This dividend will be paid on 4 December 2019 to shareholders on the register at the close of business on 18 October 2019. The ex-dividend date will be 17 October 2019.

10. Right-of-use assets

	30 June 2019 £	1 January 2019 £
Right-of-use assets by class of underlying assets		
Property, plant and equipment:		
Freehold land and buildings	**20,910**	20,910
Plant and equipment	**27,089**	25,809
	47,999	46,719
Depreciation charge for right-of-use assets		
Property, plant and equipment:		
Freehold land and buildings	**1,091**	-
Plant and equipment	**5,974**	-
	7,065	-
Net book value		
Property, plant and equipment:		
Freehold land and buildings	**19,819**	20,910
Plant and equipment	**21,115**	25,809
	40,934	46,719

Short-term leases have been accounted for in accordance with the recognition exemption in IFRS 16 and hence related payments are expensed as incurred. The Group also made use of the option to apply the recognition exemption for low value assets, which means that related payments have been expensed as incurred. Expenses for short-term and low value assets amounted to £1,604,000 in the half year ended 30 June 2019.

The Group plans the replacement of right-of-use assets which have been derecognised due to expired lease agreements. About one-fifth of the right-of-use assets are affected by this.

11. Lease liabilities

	30 June 2019 £	1 January 2019 £
Analysed as:		
Amounts due for settlement within 12 months (shown under current liabilities)	**10,175**	11,523
Amounts due for settlement after 12 months	**32,702**	36,695
	42,877	48,218

The Group does not face a significant liquidity risk with regard to its lease liabilities. The interest expense on lease liabilities amounted to £693,000 for the half year ended 30 June 2019. Lease liabilities are calculated at the present value of the lease payments that are not paid at the commencement date.

For the half year ended 30 June 2019, the average effective borrowing rate was 2.9 per cent. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The vast majority of lease obligations are denominated in Sterling.

12. 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 interests 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 then 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 2021. 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 2018. The results of that valuation have been projected to 30 June 2019 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:

	June 2019 £'000	June 2018 £'000	December 2018 £'000
Present value of Scheme liabilities	**(344,178)**	(342,992)	(330,222)
Fair value of Scheme assets	**364,787**	354,490	343,738
Net amount recognised (before any adjustment for deferred tax)	**20,609**	11,498	13,516

The current and past service costs, settlements and curtailments, together with the net interest expense for the period, are included in the employee benefits expense in the Statement of Comprehensive Income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	Half year ended June 2019 £'000	Half year ended June 2018 £'000	Year ended December 2018 £'000
Service cost:			
Net interest expense recognised in the Consolidated Income Statement	**497**	328	596
Remeasurements of the net liability:			
Return on scheme assets (excluding amount included in interest expense)	**(24,947)**	(762)	7,872
Loss / (gain) arising from changes in financial assumptions	**24,140**	(6,937)	(16,326)
Gain arising from changes in demographic assumptions	**(11,948)**	-	(1,531)
Experience loss	**5,165**	-	-
Credit recorded in other comprehensive income	**(7,590)**	(7,699)	(9,985)
Total defined benefit credit	**(7,093)**	(7,371)	(9,389)

The principal actuarial assumptions used were:

	June 2019	June 2018	December 2018
Liability discount rate	**2.35%**	2.60%	2.75%
Inflation assumption – RPI	**3.15%**	3.10%	3.15%
Inflation assumption – CPI	**2.15%**	2.10%	2.15%
Rate of increase in salaries	**n/a**	n/a	n/a
Revaluation of deferred pensions	**2.15%**	2.10%	2.15%
Increases for pensions in payment:			
CPI pension increases (maximum 5% per annum)	**2.15%**	2.10%	2.15%
CPI pension increases (maximum 5% per annum, minimum 3% per annum)	**3.20%**	3.20%	3.20%
CPI pension increases (maximum 3% per annum)	**1.95%**	1.90%	1.95%
Proportion of employees opting for early retirement	**0%**	0%	0%
Proportion of employees commuting pension for cash	**80.0%**	50.0%	50.0%

Mortality assumption - before retirement	**Same as post retirement**	Same as post retirement	Same as post retirement
Mortality assumption - after retirement (males)	**S2PXA tables**	S2PMA tables	S2PXA tables
Loading	**110%**	105%	105%
Projection basis	**Year of birth**	Year of birth	Year of birth
	CMI_2018 1.0%	CMI_2016 1.0%	CMI_2017 1.0%
Mortality assumption - after retirement (females)	**S2PXA tables**	S2PFA tables	S2PXA tables
Loading	**110%**	105%	105%
Projection basis	**Year of birth**	Year of birth	Year of birth
	CMI_2018 1.0%	CMI_2016 1.0%	CMI_2017 1.0%
Future expected lifetime of current pensioner at age 65:			
Male aged 65 at year end	**85.6**	86.2	86.1
Female aged 65 at year end	**87.5**	88.0	88.0
Future expected lifetime of future pensioner at age 65:			
Male aged 45 at year end	**86.6**	87.2	87.1
Female aged 45 at year end	**88.7**	89.2	89.2

13. 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.

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.

14. Analysis of net debt

	1 January 2019 £'000	IFRS 16 £'000	Cash flow £'000	Other changes £'000	**30 June 2019 £'000**
Cash at bank and in hand	45,709	-	(34,543)	3	**11,169**
Debt due within 1 year	(22,493)	-	1,149	43	**(21,301)**
Debt due after 1 year	(59,708)	-	15,000	20	**(44,688)**
Finance leases	(941)	941	-	-	**-**
Lease liabilities	-	(48,218)	7,673	(2,332)	**(42,877)**
	(37,433)	(47,277)	(10,721)	(2,266)	**(97,697)**

Reconciliation of net cash flow to movement in net debt

	Half year ended June 2019 £'000	Half year ended June 2018 £'000	Year ended December 2018 £'000
Net increase in cash and cash equivalents	**(34,543)**	756	25,746
IFRS 16	**(47,277)**	-	-
Cash outflow / (inflow) from increase in bank borrowings	**16,149**	(25,443)	(34,063)
Cash outflow / (inflow) from increase in lease financing	**5,341**	-	-
On acquisition of subsidiary undertaking	**-**	-	(4,709)
Effect of exchange rate fluctuations	**66**	83	(110)
Movement in net debt in the period	**(60,264)**	(24,604)	(13,136)
Net debt at the beginning of the period	**(37,433)**	(24,297)	(24,297)
Net debt at the end of the period	**(97,697)**	(48,901)	(37,433)

15. Borrowing facilities

The total bank borrowing facilities at 30 June 2019 amounted to £150.0 million (30 June 2018: £125.0 million; 31 December 2018: £140.0 million), of which £84.0 million (30 June 2018: £55.7 million; 31 December 2018: £60.5 million) remained unutilised.

These figures include an additional seasonal working capital facility of £10.0 million available between 1 February and 31 August each year.

The undrawn facilities available at 30 June 2019, in respect of which all conditions precedent had been met, were as follows:

	June 2019 £'000	June 2018 £'000	December 2018 £'000
Committed:			
Expiring in more than 5 years	**25,000**	-	25,000
Expiring in more than 2 years but not more than 5 years	**34,011**	30,379	20,292
Expiring in 1 year or less	**-**	365	180
Uncommitted:			
Expiring in 1 year or less	**25,000**	25,000	15,000
	84,011	55,744	60,472

The total borrowing facilities at 15 August 2019 amounted to £165.0 million. On 6 August 2019, the Group renewed its short-term working capital facilities of £25.0 million and took out an additional committed facility of £35.0 million with a 2023 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. Following the recent refinancing of bank facilities, the current facilities are set out as follows:

	Facility	Cumulative facility
	£'000	£'000
Committed facilities:		
Q4: 2024	25,000	25,000
Q3: 2023	55,000	80,000
Q3: 2022	20,000	100,000
Q3: 2021	20,000	120,000
Q3: 2020	20,000	140,000
On-demand facilities:		
Available all year	15,000	155,000
Seasonal (February to August inclusive)	10,000	165,000

16. Fair values of financial assets and financial liabilities

A comparison by category of the book values and fair values of the financial assets and liabilities of the Group at 30 June 2019 is shown below:

	June 2019		June 2018		December 2018	
	Book amount	**Fair value**	Book amount	Fair value	Book amount	Fair value
	£'000	**£'000**	£'000	£'000	£'000	£'000
Trade and other receivables	**90,387**	**90,387**	84,713	84,713	71,710	71,710
Cash and cash equivalents	**11,169**	**11,169**	20,617	20,617	45,709	45,709
Bank overdrafts	**-**	**-**	-	-	(2,673)	(2,673)
Bank loans	**(65,989)**	**(61,114)**	(69,256)	(70,639)	(79,528)	(77,931)
Lease liabilities	**(42,877)**	**(42,877)**	(262)	(280)	(941)	(1,037)
Trade and other payables	**(114,441)**	**(114,441)**	(100,260)	(100,260)	(107,908)	(107,908)
Interest rate swaps, forward contracts and fuel hedges	**430**	**430**	654	654	276	276
Contingent consideration	**(2,420)**	**(2,420)**	-	-	(2,420)	(2,420)
Financial instrument assets and liabilities - net	**(123,741)**		(63,794)		(75,775)	
Non-financial instrument assets and liabilities - net	**401,912**		308,370		342,490	
	278,171		244,576		266,715	

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table. Other than contingent consideration, which uses a level 3 basis, all use level 2 valuation techniques.

(a) Derivatives

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

(b) Interest-bearing loans and borrowings

Fair value is calculated based on the expected future principal and interest cash flows discounted at the market rate of interest at the balance sheet date.

(c) Lease liabilities

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates.

(d) Trade and other receivables / payables

For receivables / payables with a remaining life of less than 1 year, the notional amount is deemed to reflect the fair value.

(e) Contingent consideration

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.

(f) Fair value hierarchy

The table below analyses financial instruments, measured at fair value, into a fair value hierarchy based on the valuation techniques used to determine fair value.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
30 June 2019				
Derivative financial assets	**-**	**430**	**-**	**430**
30 June 2018				
Derivative financial assets	-	654	-	654
31 December 2018				
Derivative financial assets	-	276	-	276

17. Principal risks and uncertainties

The principal risks and uncertainties that could impact the Group for the remainder of the current financial year are those detailed on pages 23 to 27 of the 2018 Annual Report. These cover the strategic, financial and operational risks and have not changed during the period.

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

External operational risks include the weather, political and economic conditions, the potential impact of Brexit, the effect of legislation or other regulatory actions, the actions of competitors, raw material prices and threats from cyber security, 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.

Responsibility Statement

The Directors who held office at the date of approval of these Financial Statements confirm that to the best of their knowledge:

- the Condensed Consolidated Half Year Financial Statements have been prepared in accordance with IAS 34 *"Interim Financial Reporting"* as adopted by the European Union; and
- the Half Year Management Report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the half year ended 30 June 2019 and their impact on the Condensed Consolidated Half Year Financial Statements, and a description of the principal risks and uncertainties for the remaining second half of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the half year ended 30 June 2019 and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

The Board

The Directors serving during the half year ended 30 June 2019 were as follows:

Vanda Murray OBE	Chair of the Board
Janet Ashdown	Senior Non-Executive Director
Jack Clarke	Group Finance Director
Martyn Coffey	Chief Executive
Tim Pile	Non-Executive Director
Graham Prothero	Non-Executive Director

The responsibilities of the Directors during their period of service were as set out on pages 40 and 41 of the 2018 Annual Report.

By order of the Board
Cathy Baxandall
Group Company Secretary
15 August 2019

Cautionary statement

This Half Year Report contains certain forward-looking statements with respect to the financial condition, results, operations and business of Marshalls plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this Half Year Report should be construed as a profit forecast.

Directors' liability

Neither the Company nor the Directors accept any liability to any person in relation to this Half Year Report except to the extent that such liability could arise under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with Section 90A of the Financial Services and Markets Act 2000.

Independent Review Report to Marshalls plc

Introduction

We have been engaged by the Company to review the condensed set of Financial Statements in the Half Year Financial Report for the 6 months ended 30 June 2019 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Cash Flow Statement, the Condensed Consolidated Statement of Changes in Equity and related Notes 1 to 17. We have read the other information contained in the Half Year Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"* issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Half Year Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Year Financial Report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the Annual Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of Financial Statements included in this Half Year Financial Report has been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of Financial Statements in the Half Year Financial Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the Half Year Financial Report for the 6 months ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
15 August 2019

Shareholder Information

Financial calendar

Half year results for the year ending December 2019	Announced 15 August 2019
Half year dividend for the year ending December 2019	Payable 4 December 2019
Results for the year ending December 2019	Announcement March 2020
Report and accounts for the year ending December 2019	April 2020
Annual General Meeting	May 2020
Final dividend for the year ending December 2019	Payable June 2020

Registrars

All administrative enquiries relating to shareholdings should, in the first instance, be directed to Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ (telephone: 0870 707 1134) and should clearly state the registered shareholder's name and address.

Dividend mandate

Any shareholder wishing dividends to be paid directly into a bank or building society should contact the Registrars for a dividend mandate form. Dividends paid in this way will be paid through the Bankers' Automated Clearing System ("BACS").

Website

The Group has a website that gives information on the Group and its products and provides details of significant Group announcements. The address is www.marshalls.co.uk.