Marshalls
Half Year
Report 2022

Transformational acquisition and **robust first half trading performance**

Highlights

Transformational acquisition and **robust first half trading performance**

The acquisition of Marley further diversifies the enlarged Group's coverage of construction market sub-sectors.

Strategic highlights

- Transformational acquisition of Marley Group plc ('Marley') completed on 29 April 2022
  - Further diversifies enlarged Group's coverage of construction market sub-sectors
  - Traded positively in the post-acquisition period
  - Integration tracking in line with plan
- Conservative capital structure maintained and no changes to capital allocation policy
- Construction of £24 million dual block plant at St Ives progressing in line with plan: first line expected to be operational in Q4 2022
- Growth opportunities arising from ESG leadership

Financial and operational highlights

- Revenue growth of 17 per cent reflecting two months contribution from Marley and growth of 7 per cent on a like-for-like basis
- Adjusted operating profit of £48.0 million, an increase of 15 per cent on 2021 (statutory operating profit: £27.3 million; 2021: £41.0 million)
- Adjusted profit before tax of £44.6 million, an increase of 13 per cent on 2021
- Profit before tax on a statutory basis was £23.9 million (2021: £38.9 million) reflecting the impact of adjusting items of £20.7 million
- Adjusted basic earnings per share up 5 per cent at 16.4 pence per share (statutory earnings per share: 7.9 pence; 2021: £15.3 pence)
- Net debt of £252.3 million reflects the bank funding implemented to partially fund the acquisition of Marley
- Interim dividend of 5.7 pence per share, an increase of 21 per cent on 2021 – maintaining two times dividend cover of adjusted earnings per share
- Construction Product Association's ("CPA's") latest Summer forecast predicts growth in total construction output of 2.5 per cent in 2022 and 1.6 per cent in 2023, with strong growth in infrastructure

	Half year ended 30 June 2022	Half year ended 30 June 2021 (as restated)	Change 2022/2021 (%)
Revenue	**348.4m**	298.1m	17
Adjusted results[1, 2, 3]			
Adjusted EBITDA	**64.2m**	56.4m	14
Adjusted operating profit	**48.0m**	41.6m	15
Adjusted profit before tax	**44.6m**	39.5m	13
Adjusted basic EPS – pence	**16.4p**	15.6p	5
Interim dividend pence	**5.7**	4.7p	21
Net debt	**252.3m**	52.4m	
Net debt – pre-IFRS 16	**208.3m**	7.6m	
Statutory results			
EBITDA	**45.7**	56.4m	
Operating profit	**27.3**	41.0m	
Profit before tax	**23.9**	38.9m	
Basic EPS – pence	**7.9**	15.3p	

Note:

1. Alternative performance measures are used consistently throughout this Interim Announcement. These relate to like-for-like revenue growth, operating profit, EBITDA, return on capital employed ("ROCE"), net debt, net debt pre-IFRS 16 and results before adjusting items. For further details of their purpose, definition and reconciliation to the equivalent statutory measures, see Note 3.
2. The results for the half year ended 30 June 2022 have been disclosed before adjusting items. These are set out in Note 6.
3. Following a change to the reporting segments and the inclusion of the amortisation of acquired intangibles in adjusting items, the comparative figures have been restated to ensure consistent classification with the analysis reported for the half year ended 30 June 2022 (Note 4).

Our strategy is underpinned by our strong market positions, established brands and focused investment plans

"Our ESG strategy continues to generate organic growth opportunities and provide competitive advantage."

Introduction

I am pleased to report significant strategic progress in the first half, which included the transformational acquisition of Marley and was achieved alongside a robust first half performance.

Market overview

A core element of the Group's strategy has been to broaden its product range to complement its strong market position in landscaping products with a particular focus on new build housing and water management. During the first half we accelerated the execution of our strategy through the acquisition of Marley in April 2022. The deal is transformational for the Group, building on the acquisitions of concrete pipe manufacturer CPM in 2017 and concrete brick manufacturer Edenhall in 2018 and further diversifying our Group's coverage of the construction market sub-sectors. We estimate that around 35 per cent to 40 per cent of the enlarged Group's revenues are focused in each of the new build housing and commercial, infrastructure and industrial end markets. The remaining revenues of around 20 per cent to 25 per cent are focused on private housing RMI and of this, around 15 per cent represent driveway and patio products that are supplied to the UK market with the balance being less discretionary products and international revenues.

The new build housing sector has been very resilient in the first half of the year and the CPA's recently published summer forecast anticipates volume growth of 1 per cent in 2022. This sector is supported by the structural deficit in new house building compared to Government targets, a strong employment market and house price growth exceeding build cost inflation. Commercial, infrastructure and industrial end markets have also been supportive with CPA forecasts for 8.5 per cent infrastructure growth in 2022 being particularly strong. Forward looking indicators remain positive and are expected to underpin continued revenue growth in these end markets in the second half of the year.

Private housing RMI activity was a key driver of construction recovery following the first COVID-19 lockdown and grew by 21 per cent in 2021. The CPA is forecasting this sector to contract from the elevated levels reported last year by 3 per cent and 4 per cent in 2022 and 2023, respectively. This is due to a combination of the normalisation of expenditure priorities, a decline in consumer confidence and pressures on household budgets arising from the inflationary environment. Installer order books at the end of June 2022 remain above the historical average at 17.4 weeks (June 2021: 21.4 weeks; June 2019: 14.5 weeks) demonstrating continued demand for professional installations. However, there is reduced installation capacity relative to prior years and DIY activity levels have declined.

Macro-economic and geopolitical factors have resulted in challenges for the UK economy during the first half of the year and the construction sector has not been immune with a number of external factors increasing market volatility and generating uncertainty. The conflict in Ukraine continues to impact world markets and supply chains, particularly in relation to energy supplies, although proactive management is continuing to reduce the impact of raw material shortages. However, these factors are combining to cause significant cost inflation in the economy, with the July CPI recording a twelve month inflation rate of 10.1 per cent, which is putting pressure on household budgets and negatively impacting consumer confidence.

Notwithstanding these factors, the outlook for commercial construction demand in the second half of 2022 remains positive and these end markets represent around 75 per cent to 80 per cent of the Group's revenues. In contrast, the softening demand for private housing RMI, which represents 20 per cent to 25 per cent of revenues, is expected to continue in the second half of the year.

Group results

The Group delivered a robust performance in the first half of the year reporting record revenues driven from a combination of organic growth and the benefit of the acquisition of Marley on 29 April 2022.

	Half year ended 30 June 2022 £m	Half year ended 30 June 2021 (as restated) £m	Change 2022/2021 %	Year ended 31 December 2021 (as restated) £m
Revenue	**348.4**	298.1	17	589.3
Net operating costs	**(300.4)**	(256.5)	17	(511.9)
Adjusted operating profit	**48.0**	41.6	15	77.4
Adjusting items	**(20.7)**	(0.6)		(1.2)
Statutory operating profit	**27.3**	41.0	(33)	76.2
Financial expenses	**(3.4)**	(2.1)		(6.9)
Profit before taxation	**23.9**	38.9	(38)	69.3
Adjusted EPS	**16.4**	15.6	5	29.2
Statutory EPS	**7.9**	15.3	(48)	27.5
Interim dividend per share	**5.7**	4.3	33	14.3

Group revenue for the half year ended 30 June 2022 was £348.4 million (2021: £298.1 million) which is 17 per cent higher than 2021 including the benefit of Marley's revenues following the acquisition. On a like-for-like basis, Group revenue increased by 7 per cent.

Group results *continued*

Following the acquisition of Marley, the Group has reviewed its reporting segments. This is the first set of results which report under the new structure of three separate reporting segments, being Marshalls Landscape Products, Marshalls Building Products and Marley Roofing Products. This reflects the new internal performance reporting and management responsibility framework. Adjusted operating profit is analysed between the Group's reporting segments as follows:

	Half year ended 30 June 2022 £m	Half year ended 30 June 2021 (as restated) £m	Change 2022/2021 %	Year ended 31 December 2021 (as restated) £m
Marshalls Landscape Products	**30.0**	35.5	(15)	62.4
Marshalls Building Products	**13.0**	9.0	44	19.6
Marley Roofing Products	**8.6**	–	–	–
Central costs	**(3.6)**	(2.9)	(25)	(4.6)
Adjusted operating profit	**48.0**	41.6	15	77.4

The growth in adjusted operating profit for the Group of 15 per cent was largely driven by the benefit of Marley from 29 April 2022 together with a strong performance from Marshalls Building Products. This has been partially offset by Marshalls Landscape Products where the impact of a softer private housing RMI market compared to the elevated levels reported in 2021 saw reduced volumes and profitability. The Group adjusted operating margin was marginally lower than 2021 at 13.8 per cent (2021: 14.0 per cent) and reflects some compression in margins within Marshalls Landscape Products largely offset by an improved performance by Marshalls Building Products together with the benefit of Marley's structurally higher margins. Commentary on the performance of each reporting segment is set out below.

The statutory operating profit is stated after a number of adjusting items, the net impact of which is £20.7 million (Note 6). These items comprise £14.6 million for transaction costs relating to the acquisition of Marley and £6.1 million in relation to certain non-cash adjustments arising as a consequence of the purchase price allocation ("PPA") exercise required to recognise the assets of Marley on acquisition at fair value and the amortisation of acquired intangible assets (Note 14). The Group's accounting policy is that adjusting items are disclosed separately because of their size, nature or incidence and to provide additional information in order to enable a full understanding of the Group's results. The policy to exclude amortisation of acquired intangible assets has required a modest restatement of Marshalls' 2021 alternative performance measures. The disclosure of results before adjusting items represents an alternative performance measure, in order to demonstrate the enlarged Group's capacity to deliver dividends to shareholders.

Net financial expenses were £3.4 million (2021: £2.1 million) including £1.2 million (2021: £0.9 million) of IFRS 16 lease interest. The increase in the period reflects the impact of the additional debt taken on to fund the acquisition of Marley. Adjusted profit before tax was £44.6 million (2021: £39.5 million). Statutory profit before tax was £20.7 million lower than the adjusted result at £23.9 million (2021: £38.9 million), reflecting the impact of the adjusting items.

The adjusted effective tax rate was 19.1 per cent (2021: 21.3 per cent). On a reported basis, the effective tax rate is 27.1 per cent due to the impact of the adjusting items as acquired intangibles and a significant proportion of the Marley transaction costs do not qualify for a tax deduction.

Adjusted earnings per share for the half year was 16.4 pence (2021: 15.6 pence) which is a 5 per cent increase year on year. Reported earnings per share was 7.9 pence (2021: 15.3 pence), which is lower than the adjusted number due to the adjusting items and their tax effect.

Segmental performance

Marshalls Landscape Products

Marshalls Landscape Products, which comprises the Group's Commercial and Domestic landscaping business, Landscape Protection and the International businesses, delivered revenue of £216.9 million (2021: £218.8 million) in the first half of the year, and compares with the strong performance reported in 2021.

	Half year ended 30 June 2022 £m	Half year ended 30 June 2021 (as restated) £m	Change 2022/2021 %	Year ended 31 December 2021 (as restated) £m
Revenue	**216.9**	218.8	(1)	424.8
Segment operating profit	**30.0**	35.5	(15)	62.4
Segment operating margin %	***13.8%***	*16.2%*	*(2.4) ppts*	*14.7%*

This reporting segment derives approximately 25 per cent to 30 per cent of its revenues from new build housing, 35 per cent to 40 per cent from commercial/infrastructure/industrial and the balance of 30 per cent to 35 per cent from private housing RMI. The market backdrop for the first two of these end markets has been good in the first half of the year and this underpinned revenues in these areas. However, this was offset by a weaker performance of domestic products where we reported a reduction in revenues driven by the relatively high exposure to private housing RMI, which has been softer compared to the elevated levels reported in 2021 for the reasons set out in the market overview section.

Segment operating profit reduced by £5.5 million to £30.0 million compared to 2021. We continued to operate in an inflationary environment in the first half of the year and we were successful in passing these input price increases through the supply chain with no negative impact on profitability. The decline in segment operating profit reflects lower sales and production volumes which adversely impacted both gross profit and the operational efficiency of our manufacturing facilities. This resulted in operating margins reducing by 2.4 ppts to 13.8 ppts for the half year.

We expect a mixed performance from this reporting segment in the second half of the year with continued positive momentum from new build housing and commercial/infrastructure/industrial end markets supported by positive lead indicators. However, we expect consumers to continue to take a cautious approach to home improvement activity due to inflation putting pressure on household budgets and for revenues in this segment to be impacted in the second half as a result.

Segmental performance *continued*

Marshalls Building Products

Marshalls Building Products comprises the Group's Civils and Drainage, Bricks and Masonry, Mortars and Screeds and Aggregates businesses. It delivered a strong performance in the first half of the year and reported revenue of £95.9 million, which represents year-on-year growth of 21 per cent.

	Half year ended 30 June 2022 £m	Half year ended 30 June 2021 (as restated) £m	Change 2022/2021 %	Year ended 31 December 2021 (as restated) £m
Revenue	**95.9**	79.3	21	164.5
Segment operating profit	**13.0**	9.0	44	19.6
Segment operating margin %	***13.6%***	*11.3%*	*2.3 ppts*	*11.9%*

This reporting segment generates 55 per cent to 60 per cent of its revenues from new build housing and 30 per cent to 35 per cent from commercial/infrastructure/industrial with the balance of less than 10 per cent being derived from private housing RMI. All the business units in this reporting segment have performed strongly against a positive market backdrop with particularly strong demand for our Bricks and Masonry product range driven by a market shortage of bricks and the lower carbon benefits of concrete products compared to clay.

Segment operating profit increased by £4.0 million to £13.0 million. The growth in profitability was driven by a combination of revenue growth and margin expansion with the adjusted operating margin increasing by 2.3 ppts to 13.6 per cent. This reflects the benefits of strong commercial leadership and proactive management of inflationary pressures.

We expect that the market backdrop for this business unit will remain robust in the second half of the year given the positive outlook for its key end markets and our range of competitively positioned high quality products.

Marley Roofing Products

Marley was acquired by the Group on 29 April 2022 and consequently the half year results include approximately two months of trading from the Marley business. At the time of the acquisition, we highlighted that the business had delivered a strong start to 2022 and this has continued through the first half of the year. Marley's revenues in the post-acquisition period were 18 per cent higher than the corresponding period in 2021.

	Half year ended 30 June 2022 £m	Half year ended 30 June 2021 (as restated) £m	Change 2022/2021 %
Revenue	**35.6**	–	–
Segment operating profit	**8.6**	–	–
Segment operating margin %	***24.2%***	–	–

Around 35 per cent to 40 per cent of Marley's revenues are generated from both new build housing and commercial/infrastructure/industrial (including public housing RMI contracts) with the balance of 20 per cent to 25 per cent from private housing RMI. The market environment for this reporting segment was positive in the first half of the year and the private housing RMI segment is focused on repair rather than improvement, which makes the work less discretionary than in our Landscape Products business. Revenue growth has been pleasing against this backdrop and reflects strong commercial management and higher volumes across most product ranges, including its integrated solar panel business.

Segment operating profit in the post-acquisition was £8.6 million, which represents an increase compared to the corresponding period in 2021 of 15 per cent. This growth was driven by proactive management of inflationary pressures together with some benefit from operational leverage and it resulted in a segment operating margin of 24.2 per cent.

We expect the market environment for this reporting segment to remain positive during the second half of the year given its end market exposure and the non-discretionary nature of its private housing RMI business.

Strategy and ESG update

Our overall strategy continues to focus on the maintenance of a strong balance sheet, a flexible capital structure and a clear capital allocation policy. Our ESG strategy continues to generate opportunities which, going forward, will be a source of significant competitive advantage.

Acquisition of Marley

The acquisition of Marley is a transformational step in delivering the Group's strategic goal of becoming the UK's leading manufacturer of products for the built environment. It extends the Group's product range into the pitched roofing market with an extensive range of products across the full roofing system with highly recognised and market leading brands. It enhances the Group's exposure to the cyclically resilient UK roofing RMI market, which has a strong medium-term outlook, underpinned by attractive structural drivers such as the UK's ageing housing stock with a product range principally focused on less discretionary products. The Marshalls and Marley businesses employ a similar commercial strategy that focuses on generating pull demand from key specifiers and influencers. In addition, there are clear opportunities to leverage Marshalls' operational, manufacturing and ESG expertise for Marley's business. The integration process is progressing well and there is a clear cultural alignment between the businesses.

Dual block plant

The project to construct the dual block plant at the Group's site in St Ives, Cambridgeshire is progressing well and we continue to expect the first of the two lines to be operational in the fourth quarter of 2022. The facility will be unique in the UK and will support the launch of new ranges of innovative value-added products including in-line secondary processing. The commissioning of this facility is expected to allow existing assets, currently used to manufacture block paving, to be released for the manufacture of concrete bricks demonstrating our operational agility and the flexibility within our manufacturing network.

ESG

Our ESG strategy continues to generate organic growth opportunities which, going forward, will be a source of significant competitive advantage. We are continuing to focus our new product development activity on lower carbon products and as part of this programme we are accelerating our development of technologies to materially reduce the carbon intensity of our products through the use of carbon sequestration techniques. As part of this initiative, the Group is also the first UK company to adopt CarbonCure Technologies' carbon mineralisation technology that reduces and removes carbon dioxide across the concrete manufacturing process.

Our commitment for the Marshalls' businesses is to reduce scope 1 and 2 greenhouse gas emissions by 40 per cent per tonne of production by 2030 from a 2018 base year. For scope 3 emissions, we have also committed that 73 per cent of our suppliers by emissions, covering purchase goods and services and upstream transport and distribution, will have science-based targets by 2024. Our emission reduction targets have been approved by the Science Based Targets initiative as consistent with levels required to meet our net-zero commitment. We were the first company in our sector to achieve this accreditation and we have a published roadmap to support these targets.

Strategy and ESG update *continued*

Digital

We continue to focus on executing our digital strategy which aims to provide an end-to-end digital offering and to pioneer the digital standards for the industry. We have developed a new digital trading platform that will allow us to offer an extended range of products on our customers' websites without requiring the merchant to stock the ranges. Customers will be able to place orders with the merchants that will be fulfilled using Marshalls' distribution capability. The model offers a win-win outcome where the merchant generates incremental sales due to an extended product range without incurring the costs associated with regular orders and Marshalls benefits by realising additional sales via the merchant channel. We expect to pilot this offer with two national merchants in the second half of the year.

Balance sheet, funding and cash flow

The Group balance sheet reflects the acquisition of Marley on, along with the equity fundraising and additional debt financing. The financing structure of the acquisition was designed to be conservative with over 60 per cent of the consideration funded by equity, and debt facilities sized to ensure that the Group continues to operate with significant headroom. Whilst our key near term financing priority is to utilise the cash generated by the combined businesses to reduce leverage, we will continue to fund organic capital investment opportunities alongside selective bolt-on M&A in line with our unchanged capital allocation policy.

A PPA exercise has been undertaken to establish the constituent parts of the Marley balance sheet at fair value on acquisition. This exercise has recognised £137.6 million of additional intangible assets in relation to Marley, principally customer relationships of £109.9 million and the values attributable to the Marley and Viridian brands of £27.7 million. Residual goodwill of £200.0 million has been recognised. As is customary in these circumstances, this will remain under review and subject to change during the twelve-month hindsight period. Further details of this are set out at Note 14 to the Condensed Consolidated Financial Statements.

Net assets have increased to £705.8 million compared with £344.3 million at 31 December 2021. This is largely due to the equity issuance of £330.3 million to part fund the acquisition of Marley. Intangible assets have increased by £458.4 million (which includes balances identified by the PPA exercise and those already in the Marley balance sheet at the acquisition date), comprising intangible assets of £228.1 million and additional goodwill of £230.3 million. The acquisition has also increased tangible fixed assets by £111.3 million, net working capital by £26.9 million and tax balances (mainly deferred tax) by £65.9 million. A term loan of £210 million was introduced to partially fund the acquisition.

The balance sheet value of the Group's defined benefit pension scheme was a surplus of £43.7 million (December 2021: £25.8 million; June 2021: £9.5 million). The amount has been determined by the Scheme's pension adviser. The fair value of the Scheme assets at 30 June 2022 was £306.1 million (December 2021: £392.1 million; June 2021: £379.6 million) and the present value of the Scheme liabilities was £262.4 million (December 2021: £366.3 million; June 2021: £370.1 million. These changes have resulted in an actuarial gain, net of deferred taxation, of £13.5 million (June 2021: £5.2 million actuarial gain) and this has been recorded in the Consolidated Statement of Comprehensive Income. The Scheme's actuarial valuation as at 5 April 2021 was a surplus of £24.3 million, on a technical provisions basis, and the Company has agreed with the Trustee that no cash contributions will be payable under the funding and recovery plan.

The Group had net debt at 30 June 2022 of £252.3 million (December 2021: £41.1 million; June 2021: £52.4 million), including £44.0 million (December 2021: £41.3 million; June 2021: £44.8 million) of IFRS 16 lease liabilities. On 3 May 2022, the Group drew down the new four-year term loan of £210 million to support the funding of the acquisition of Marley. In addition to the term loan, the Group has entered into a new committed revolving credit facility of £160 million with a maturity date of four years. Net debt to EBITDA was 1.4 times at 30 June 2022 on a pre-IFRS 16 pro forma trailing twelve months basis (reported basis: 1.6 times). Good headroom is maintained against the new bank facility and its covenants, which will support investment priorities going forward, and were comfortably met as at 30 June 2022 (Note 1).

Operating cash flow (before interest and taxation) for the twelve months to 30 June 2022 represented 60 per cent of EBITDA (30 June 2021: 85 per cent) and continues to be impacted by cost inflation and an increase in inventories. Strong cash management continues to be a high priority area, with the control over imported inventories a key focus.

Dividend

The Group maintains a progressive dividend policy of distributions covered twice by adjusted earnings. The Group has declared an interim dividend of 5.7 pence per share which represents an increase of 21 per cent compared with the prior year comparative. The dividend will be paid on 1 December 2022 to shareholders on the register at the close of business on 21 October 2022. The shares will be marked ex-dividend on 20 October 2022.

Principal 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 six months of the financial year and could cause actual results to differ materially from expected and historical results.

The effects of wider economic and geopolitical uncertainty and volatility, including the effect of the conflict in Ukraine on global supply chains, are continually being assessed. In addition, the impact that increasing cost inflation and further increases in interest rates might have on consumer demand is a particular risk currently. We are managing these issues proactively and maintaining our focus on cyber security risk and the ongoing impact of climate change and other ESG related risks. Further details of how the Group is mitigating these risks are set out in Note 18.

A detailed explanation of the Group's risk environment and how the Group seeks to mitigate its risks can be found on pages 34 to 43 of the 2021 Annual Report.

Going concern

As stated in Note 1 of the 2022 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 twelve months from the date of this report. Accordingly, the Directors continue to adopt the going concern basis in preparing the Half Year Report.

Outlook

Marshalls delivered a robust first half trading performance, demonstrating the strength of our business model and the benefits of greater diversification resulting from the transformational Marley deal completed in April 2022 and other acquisitions of recent years.

Looking forward, the Board acknowledges that the macro outlook is becoming less certain due to geopolitical events driving up inflation and adversely impacting consumer confidence. Notwithstanding this, the Board's expectations for the Group as a whole remain in line with market expectations for the full year, with the more positive backdrop within Marshalls Building Products and Marley expected to balance the continuation of tougher trading conditions in Marshalls Landscape Products, which has greater exposure to the discretionary element of private housing RMI.

Our strategy is underpinned by our strong market positions, established brands and focused investment plans to drive ongoing operational improvement. We remain confident that this will continue to deliver profitable long term growth and that we will be able to continue to manage inflation through the effective management of our supply chain.

Martyn Coffey
Chief Executive

Condensed Consolidated Income Statement
for the half year ended 30 June 2022

	Notes	Half year ended June 2022 £'000	Half year ended June 2021 £'000	Year ended December 2021 £'000
Revenue	4	**348,389**	298,141	589,264
Net operating costs	5	**(321,084)**	(257,115)	(513,041)
Operating profit	4	**27,305**	41,026	76,223
Financial expenses	7	**(3,383)**	(2,177)	(6,903)
Financial income		**1**	1	2
Profit before tax	4	**23,923**	38,850	69,322
Income tax expense	8	**(6,479)**	(8,275)	(14,424)
Profit for the financial period		**17,444**	30,575	54,898
Profit for the financial period				
Attributable to:				
Equity shareholders of the Parent		**17,230**	30,438	54,806
Non-controlling interests		**214**	137	92
		17,444	30,575	54,898
Earnings per share				
Basic	9	**7.9p**	15.3p	27.5p
Diluted	9	**7.9p**	15.2p	27.4p
Dividend declared				
Pence per share	10	**9.6p**	4.3p	14.3p
Dividends declared in the period	10	**24,044**	8,542	33,406
Dividend proposed				
Pence per share	10	**5.7p**	4.7p	9.6p

All results relate to continuing operations.

	Notes	Half year ended June 2022 £'000	Half year ended June 2021 (as restated) £'000	Year ended December 2021 (as restated) £'000
Operating Profit before adjusting items				
Operating profit (reported)		**27,305**	41,026	76,223
Adjusting items	6	**20,648**	607	1,148
Operating profit (before adjusting items)		**47,953**	41,633	77,371
Profit before adjusting items				
Profit before tax (reported)		**23,923**	38,850	69,322
Adjusting items	6	**20,648**	607	3,961
Profit before tax (before adjusting items)		**44,571**	39,457	73,283
Profit for the financial year (reported)		**17,444**	30,575	54,898
Adjusting items (net of tax)	6	**18,598**	607	3,355
Profit after tax (before adjusting items)		**36,042**	31,182	58,253
Earnings per share before adjusting items				
Basic	9	**16.4p**	15.6p	29.2p
Diluted	9	**16.4p**	15.5p	29.0p

Condensed Consolidated Statement of Comprehensive Income
for the half year ended 30 June 2022

	Notes	Half year ended June 2022 £'000	Half year ended June 2021 (as restated) £'000	Year ended December 2021 (as restated) £'000
Profit for the financial period before adjusting items		**36,042**	31,182	58,253
Adjusting items	6	**(18,598)**	(607)	(3,355)
Profit for the financial period		**17,444**	30,575	54,898
Other comprehensive income/(expense)				
Items that will not be reclassified to the Income Statement:				
Remeasurement of the net defined benefit asset		**17,965**	6,936	26,383
Deferred tax arising		**(4,485)**	(1,734)	(6,600)
Impact of the change in rate of deferred tax on defined benefit plan actuarial gain		**–**	17	17
Total items that will not be reclassified to the Income Statement		**13,480**	5,219	19,800
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		**2,458**	(956)	1,403
Fair value of cash flow hedges transferred to the Income Statement		**(1,589)**	(231)	(922)
Deferred tax arising		**504**	(222)	36
Exchange difference on retranslation of foreign currency net investment		**277**	436	(232)
Exchange movements associated with borrowings		**(110)**	(126)	640
Foreign currency translation differences – non-controlling interests		**34**	(34)	(55)
Total items that are or may be reclassified subsequently to the Income Statement		**1,574**	(1,133)	870
Other comprehensive income for the period, net of income tax		**15,054**	4,086	20,670
Total comprehensive income for the period		**32,498**	34,661	75,568
Attributable to:				
Equity shareholders of the Parent		**32,250**	34,558	75,531
Non-controlling interests		**248**	103	37
		32,498	34,661	75,568

Condensed Consolidated Balance Sheet
as at 30 June 2022

	Notes	June 2022 £'000	June 2021 £'000	December 2021 £'000
Assets				
Non-current assets				
Property, plant and equipment		**285,406**	176,208	173,931
Right-of-use assets		**38,882**	41,191	36,445
Intangible assets	11	**550,905**	93,815	95,004
Employee benefits	13	**43,705**	9,473	25,757
Deferred taxation assets		**2,645**	2,673	1,605
		921,543	323,360	332,742
Current assets				
Inventories		**149,420**	101,032	107,436
Trade and other receivables		**151,350**	118,985	111,909
Cash and cash equivalents		**78,256**	52,265	41,212
Assets classified as held for sale		**–**	–	1,860
Derivative financial instruments		**1,507**	–	813
		380,533	272,282	263,230
Total assets		**1,302,076**	595,642	595,972
Liabilities				
Current liabilities				
Trade and other payables		**160,251**	141,195	138,218
Corporation tax		**3,174**	4,360	2,198
Short-term lease liabilities	12	**8,675**	9,201	8,545
Interest-bearing loans and borrowings		**–**	20,000	1,673
Derivative financial instruments		**–**	855	–
		172,100	175,611	150,634
Non-current liabilities				
Trade and other payables		**5,128**	–	–
Long-term lease liabilities	12	**35,393**	35,881	32,776
Interest-bearing loans and borrowings		**286,493**	39,605	39,341
Provisions		**839**	1,449	839
Deferred taxation liabilities		**96,361**	22,990	28,065
		424,214	99,925	101,021
Total liabilities		**596,314**	275,536	251,655
Net assets		**705,762**	320,106	344,317
Equity				
Capital and reserves attributable to equity shareholders of the Parent				
Share capital		**63,242**	50,013	50,013
Share premium account		**341,532**	24,482	24,482
Own shares		**(1,325)**	(632)	(646)
Capital redemption reserve		**75,394**	75,394	75,394
Consolidation reserve		**(213,067)**	(213,067)	(213,067)
Hedging reserve		**2,203**	(1,096)	830
Foreign exchange reserve		**214**	(51)	47
Retained earnings		**436,334**	384,010	406,277
Equity attributable to equity shareholders of the Parent		**704,527**	319,053	343,330
Non-controlling interests		**1,235**	1,053	987
Total equity		**705,762**	320,106	344,317

Condensed Consolidated Cash Flow Statement
for the half year ended 30 June 2022

	Half year ended June 2022 £'000	Half year ended June 2021 (as restated) £'000	Year ended December 2021 (as restated) £'000
Profit before adjusting items	**36,042**	31,182	58,253
Adjusting items	**(18,598)**	(607)	(3,355)
Profit for the financial period	**17,444**	30,575	54,898
Income tax expense on continuing operations	**8,529**	8,275	15,030
Income tax credit on adjusting items	**(2,050)**	–	(606)
Profit before tax	**23,923**	38,850	69,322
Adjustments for:			
Depreciation of property, plant and equipment	**10,111**	8,206	16,423
Asset impairments	**–**	–	233
Depreciation of right-of-use assets	**5,295**	5,692	11,315
Amortisation	**875**	840	1,965
Adjusting items	**20,648**	607	1,213
Net (gain)/loss on sale of property, plant and equipment	**(430)**	132	(9,194)
Share-based payment expense	**918**	999	2,303
Financial income and expenses (net)	**3,382**	2,176	6,901
Operating cash flow before changes in working capital	**64,722**	57,502	100,481
Increase in trade and other receivables	**(6,271)**	(22,907)	(16,696)
Increase in inventories	**(18,643)**	(11,545)	(18,108)
(Decrease)/increase in trade and other payables	**(12,207)**	21,125	19,740
Adjusting items paid	**(15,022)**	(1,255)	(2,820)
Cash generated from operations	**12,579**	42,920	82,597
Financial expenses paid	**(2,777)**	(1,988)	(3,534)
Income tax paid	**(8,000)**	(6,877)	(13,527)
Net cash flow from operating activities	**1,802**	34,055	65,536
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**153**	982	14,892
Financial income received	**1**	1	2
Acquisition of subsidiary undertaking	**(86,193)**	–	–
Purchase of property, plant and equipment	**(7,423)**	(6,409)	(19,037)
Purchase of intangible assets	**(427)**	(583)	(2,885)
Net cash flow from investing activities	**(93,889)**	(6,009)	(7,028)
Cash flows from financing activities			
Net proceeds from issue of share capital	**182,651**	–	–
Payments to acquire own shares	**(1,075)**	(3,542)	(3,567)
Payment in respect of share-based payment award	**(1,252)**	–	–
Repayment of debt on acquisition of subsidiaries	**(291,956)**	–	–
Repayment of borrowings	**(57,668)**	(72,900)	(121,286)
New loans	**303,037**	2,659	32,658
Cash payments in respect of the principal portion of lease liabilities	**(4,851)**	(5,640)	(10,828)
Equity dividends paid	**–**	–	(17,924)
Net cash flow from financing activities	**128,886**	(79,423)	(120,947)
Net increase/(decrease)	**36,799**	(51,377)	(62,439)
Cash and cash equivalents at the beginning of the period	**41,212**	103,707	103,707
Effect of exchange rate fluctuations	**245**	(65)	(56)
Cash and cash equivalents at the end of the period	**78,256**	52,265	41,212

Condensed Consolidated Statement of Changes in Equity

for the half year ended 30 June 2022

	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	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Current half year											
At 1 January 2022	**50,013**	**24,482**	**(646)**	**75,394**	**(213,067)**	**830**	**47**	**406,277**	**343,330**	**987**	**344,317**
Total comprehensive income for the period											
Profit for the financial period attributable to equity shareholders of the Parent	–	–	–	–	–	–	–	17,230	17,230	214	17,444
Other comprehensive income/(expense)											
Foreign currency translation differences	–	–	–	–	–	–	167	–	167	34	201
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	2,458	–	–	2,458	–	2,458
Net change in fair value of cash flow hedges transferred to the Income Statement	–	–	–	–	–	(1,589)	–	–	(1,589)	–	(1,589)
Deferred tax arising	–	–	–	–	–	504	–	–	504	–	504
Defined benefit plan actuarial gain	–	–	–	–	–	–	–	17,965	17,965	–	17,965
Deferred tax arising	–	–	–	–	–	–	–	(4,485)	(4,485)	–	(4,485)
Total other comprehensive income	–	–	–	–	–	1,373	167	13,480	15,020	34	15,054
Total comprehensive income for the period	–	–	–	–	–	1,373	167	30,710	32,250	248	32,498
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Shares issued	13,229	321,756	–	–	–	–	–	–	334,985	–	334,985
Share issue costs	–	(4,706)	–	–	–	–	–	–	(4,706)	–	(4,706)
Share-based payments	–	–	–	–	–	–	–	(334)	(334)	–	(334)
Deferred tax on share-based payments	–	–	–	–	–	–	–	26	26	–	26
Corporation tax on share-based payments	–	–	–	–	–	–	–	51	51	–	51
Purchase of own shares	–	–	(1,075)	–	–	–	–	–	(1,075)	–	(1,075)
Disposal of own shares	–	–	396	–	–	–	–	(396)	–	–	–
Total contributions by and distributions to owners	13,229	317,050	(679)	–	–	–		(653)	328,947	–	328,947
Total transactions with owners of the Company	13,299	317,050	(679)	–	–	1,373	167	30,057	361,197	248	361,445
At 30 June 2022	63,242	341,532	(1,325)	75,394	(213,067)	2,203	214	436,334	704,527	1,235	705,762

Condensed Consolidated Statement of Changes in Equity *continued*
for the half year ended 30 June 2022

	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	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Prior half year											
At 1 January 2021	50,013	24,482	(806)	75,394	(213,067)	313	(361)	350,930	286,898	950	287,848
Total comprehensive income/(expense) for the period											
Profit for the financial period attributable to equity shareholders of the Parent	–	–	–	–	–	–	–	30,438	30,438	137	30,575
Other comprehensive income/(expense)											
Foreign currency translation differences	–	–	–	–	–	–	310	–	310	(34)	276
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	(956)	–	–	(956)	–	(956)
Net change in fair value of cash flow hedges transferred to the Income Statement	–	–	–	–	–	(231)	–	–	(231)	–	(231)
Deferred tax arising	–	–	–	–	–	(222)	–	–	(222)	–	(222)
Defined benefit plan actuarial gain	–	–	–	–	–	–	–	6,936	6,936	–	6,936
Deferred tax arising	–	–	–	–	–	–	–	(1,734)	(1,734)	–	(1,734)
Impact of the change in rate of deferred tax on defined benefit plan actuarial gain	–	–	–	–	–	–	–	17	17	–	17
Total other comprehensive income/(expense)	–	–	–	–	–	(1,409)	310	5,219	4,120	(34)	4,086
Total comprehensive income/(expense) for the period	–	–	–	–	–	(1,409)	310	35,657	34,558	103	34,661
Transactions with owners, recorded directly in equity											
Contributions by and distributions to owners											
Share-based payments	–	–	–	–	–	–	–	999	999	–	999
Deferred tax on share-based payments	–	–	–	–	–	–	–	(52)	(52)	–	(52)
Corporation tax on share-based payments	–	–	–	–	–	–	–	192	192	–	192
Purchase of own shares	–	–	(3,542)	–	–	–	–	–	(3,542)	–	(3,542)
Disposal of own shares	–	–	3,716	–	–	–	–	(3,716)	–	–	–
Total contributions by and distributions to owners	–	–	174	–	–	–	–	(2,577)	(2,403)	–	(2,403)
Total transactions with owners of the Company	–	–	174	–	–	(1,409)	310	33,080	32,155	103	32,258
At 30 June 2021	50,013	24,482	(632)	75,394	(213,067)	(1,096)	(51)	384,010	319,053	1,053	320,106

Condensed Consolidated Statement of Changes in Equity *continued*

for the half year ended 30 June 2022

	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	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Prior year											
At 1 January 2021	50,013	24,482	(806)	75,394	(213,067)	313	(361)	350,930	286,898	950	287,848
Total comprehensive income/(expense) for the year											
Profit for the financial year attributable to equity shareholders of the Parent	–	–	–	–	–	–	–	54,806	54,806	92	54,898
Other comprehensive income/(expense)											
Foreign currency translation differences	–	–	–	–	–	–	408	–	408	(55)	353
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	1,403	–	–	1,403	–	1,403
Net change in fair value of cash flow hedges transferred to the Income Statement	–	–	–	–	–	(922)	–	–	(922)	–	(922)
Deferred tax arising	–	–	–	–	–	36	–	–	36	–	36
Defined benefit plan actuarial gain	–	–	–	–	–	–	–	26,383	26,383	–	26,383
Deferred tax arising	–	–	–	–	–	–	–	(6,600)	(6,600)	–	(6,600)
Impact of the change in rate of deferred tax on defined benefit plan actuarial gain	–	–	–	–	–	–	–	17	17	–	17
Total other comprehensive income/(expense)	–	–	–	–	–	517	408	19,800	20,725	(55)	20,670
Total comprehensive income/(expense) for the year	–	–	–	–	–	517	408	74,606	75,531	37	75,568
Share-based payments	–	–	–	–	–	–	–	2,303	2,303	–	2,303
Deferred tax on share-based payments	–	–	–	–	–	–	–	(256)	(256)	–	(256)
Corporation tax on share-based payments	–	–	–	–	–	–	–	345	345	–	345
Dividends to equity shareholders	–	–	–	–	–	–	–	(17,924)	(17,924)	–	(17,924)
Purchase of own shares	–	–	(3,567)	–	–	–	–	–	(3,567)	–	(3,567)
Disposal of own shares	–	–	3,727	–	–	–	–	(3,727)	–	–	–
Total contributions by and distributions to owners	–	–	160	–	–	–	–	(19,259)	(19,099)	–	(19,099)
Total transactions with owners of the Company	–	–	160	–	–	517	408	55,347	56,432	37	56,469
At 31 December 2021	50,013	24,482	(646)	75,394	(213,067)	830	47	406,277	343,330	987	344,317

Notes to the Condensed Consolidated Financial Statements

for the half year ended 30 June 2022

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 2022 comprise the Company and its subsidiaries (together referred to as the "Group").

The Annual Financial Statements will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards ("IFRSs"). 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 contained in UK adopted IFRS.

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 18 August 2022. The Condensed Consolidated Half Year Financial Statements are not statutory accounts as defined by Section 434 of the Companies Act 2006.

The financial information for the year ended 31 December 2021 has been extracted from the Annual Financial Statements, included in the Annual Report 2021, 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 Condensed Consolidated Financial Statements for the half year ended 30 June 2022 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 on page 29.

The Annual Financial Statements of the Group were prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"). As required by the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority, 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 2021.

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 and assets and liabilities recognised on the acquisition of the Marley Group (Note 14).

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, 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 2021. Adjusting items have been disclosed separately because of their size, nature and incidence and to provide additional information in order to enable a full understanding of the Group's results. Further details have been disclosed in Note 6. Adjusted results should not be regarded as a complete picture of the Group's financial performance, which is presented in the total results. The amortisation of acquired intangible assets has been included as an adjusting item and the prior period financial statements have been re-stated to reflect this. This disclosure demonstrates the enlarged Group's capacity to deliver dividends to shareholders.

For the year ended 31 December 2021 certain disclosures were presented on a pre-IFRS 16 basis in order to provide additional information about the Group results. For the half year ended 30 June 2022 only disclosures for net debt on a pre-IFRS 16 basis have been presented to ensure consistency of information (Note 3).

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.

Going concern

Details of the Group's funding position are set out in Note 16. On 3 May 2022, the Group drew down a new four-year loan of £210 million to support the funding of the acquisition of Marley Group plc. In addition to the term loan, the Group has entered into a new committed revolving credit facility of £160 million with a maturity date of four years. Net debt to EBITDA was 1.4 times at 30 June 2022 on a pro forma (pre-IFRS 16) twelve months basis. The Group has significant headroom against its bank facilities.

In assessing the appropriateness of adopting the going concern basis in the Condensed Consolidated Half Year Financial Statements, the Board continues to review, on a rolling basis, a range of severe downside scenario stress tests to assess the potential impact of emerging and longer-term risks. The aim is to ensure that the business model is reviewed regularly to ensure that it is sustainable over the long term.

The Group's performance is dependent on economic and market conditions, the outlook for which is difficult to predict. However, based on current expectations, the Group's latest forecasts continue to meet half year and year-end bank covenants and there is adequate headroom that is not dependent on facility renewals. At 30 June 2022, on a covenant test basis (pre-IFRS 16), the relevant ratios were achieved comfortably and were as follows:

- EBITA: interest charge – 52.4 times (covenant test requirement – to be greater than 3.0 times).
- Net debt: EBITDA – 1.4 times (covenant test requirement – to be less than 3.0 times).

The Board considers that the Group has sufficient unutilised facilities which mature after twelve months. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Consolidated Half Year Financial Statements.

2. Accounting policies

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). The same accounting policies, methods of computation and disclosure are followed in the Condensed Consolidated Half Year Financial Statements as compared to the most recent Annual Financial Statements. New standards, revisions to standards or new interpretations becoming effective during the 2022 financial year are not expected to have a material impact on the Financial Statements for the Group. The Condensed Consolidated Half Year Financial Statements are presented in Sterling, rounded to the nearest thousand.

3. Alternative performance measures

The Group uses 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 alternative comparative information. For the half year ended 30 June 2022, adjusting items include various charges that relate to the acquisition of Marley Group plc on 29 April 2022. These include professional fees and other transaction costs relating to the acquisition, the amortisation of intangible assets arising from the acquisition and the unwinding of an inventory fair value adjustment. Further details have been disclosed in Note 6. The prior period alternative performance measures have been restated to reflect the amortisation of acquired intangible assets in adjusting items.

For the year ended 31 December 2021, adjusting items include the disposal of the Group's site at Ryton, significant asset impairments, the costs of closing the site at Stoke and exiting the manufacture of cast stone and the special "thank you" bonus paid to employees in recognition of their contributions during the COVID-19 pandemic. Adjusting items in 2021 also included an accounting charge relating to additional consideration for the acquisition of CPM and a non-cash finance charge resulting from the receipt of a Counsel legal opinion in relation to certain historic pension issues. Further details have been disclosed in Note 6.

In addition, for the year ended 31 December 2021 certain disclosures were presented on a pre-IFRS 16 basis in order to provide additional information about the Group results. For the half-year ended 30 June 2022 only disclosures for net debt on a pre-IFRS 16 basis have been presented to ensure consistency of information.

Adjusting items are items that are unusual because of their size and to demonstrate the Group's capacity to deliver dividends to shareholders nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results and to demonstrate the Group's capacity to deliver dividends to shareholders. Adjusted results should not be regarded as a complete picture of the Group's financial performance, which is presented in the total results.

Results before adjusting items

	Half year ended June 2022 £'000	Half year ended June 2021 (as restated) £'000	Year ended December 2021 (as restated) £'000
Operating profit (reported)	**27,305**	41,026	76,223
Adjusting items (Note 6)	**20,648**	607	1,148
Operating profit (before adjusting items)	**47,953**	41,633	77,371
Profit before tax (reported)	**23,923**	38,850	69,322
Adjusting items (Note 6)	**20,648**	607	3,961
Profit before tax (before adjusting items)	**44,571**	39,457	73,283
Profit for the financial year (reported)	**17,444**	30,575	54,898
Adjusting items (net of tax) (Note 8)	**18,598**	607	3,355
Profit after tax (before adjusting items)	**36,042**	31,182	58,253
Earnings per share before adjusting items			
Basic (pence)	**16.4p**	15.6p	29.2p
Diluted (pence)	**16.4p**	15.5p	29.0p

Disclosures on a pre-adjusting basis

Disclosures required under IFRS are referred to as on a reported basis. Disclosures referred to on a pre-adjusting items basis are restated and are used to provide additional information and a more detailed understanding of the Group results. A summarised Income Statement on both a reported basis and a pre-adjusting items basis is set out below. The disclosures for ROCE and net debt: EBITDA are on a trailing twelve month basis and consequently include a full twelve month result for Marley.

	Pre-adjusting items June 2022 £'000	**As reported June 2022 £'000**	Pre-adjusting items June 2021 (as restated) £'000	As reported June 2021 £'000	Pre-adjusting items December 2021 (as restated) £'000	As reported December 2021 £'000
EBITDA (£'000)	**64,234**	**45,729**	56,371	56,371	107,074	107,139
EPS (pence)	**16.4**	**7.9**	15.6	15.3	29.2	27.5
Net debt (£'000)	**252,305**	**252,305**	52,421	52,421	41,123	41,123
ROCE (%)	**13.4**	**10.5**	18.1	18.1	20.6	20.6
Net debt: EBITDA	**1.4**	**1.6**	0.5	0.6	0.4	0.4
Gearing (%)	**35.8**	**35.8**	16.4	16.4	11.9	11.9

3. Alternative performance measures *continued*

Like-for-like revenue growth

Management uses like-for-like revenue growth comparisons to provide a consistent measure of the percentage change in revenue year-on-year on a comparable sales per day basis and also to reflect the impact of acquired businesses. Marley Group Limited was acquired on 29 April 2022 and the following reconciliation discloses the impact of the revenue in the comparative post-acquisition period in order to provide a like-for-like comparison for the six month period to 30 June 2022 on an equivalent sales per day basis.

	Half year ended June 2022 £'000	Trading days	Half year ended June 2021 £'000	Trading days	Increase %
Reported revenue – Marshalls	312,768	123	298,141	124	
Comparable Marley revenue	35,621	42	30,243	43	
Like-for-like revenue	348,389		328,384		
Average sales per day	2,832	123	2,648	124	7%

EBITA and EBITDA

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

	Pre-adjusting items June 2022 £'000	As reported June 2022 £'000	Pre-adjusting items June 2021 (as restated) £'000	As reported June 2021 £'000	Pre-adjusting items December 2021 (as restated) £'000	As reported December 2021 £'000
EBITDA	64,234	45,729	56,371	56,371	107,074	107,139
Depreciation	(15,406)	(15,406)	(13,898)	(13,898)	(27,738)	(27,738)
EBITA	48,828	30,323	42,473	42,473	79,336	79,401
Amortisation of intangible assets	(875)	(3,018)	(840)	(1,447)	(1,965)	(3,178)
Operating profit	47,953	27,305	41,633	41,026	77,371	76,223

Net debt on a pre-IFRS 16 basis

Statutory net debt comprises cash at bank and in hand, bank loans and leasing liabilities. An analysis of net debt is provided in Note 15. Net debt on a pre-IFRS 16 basis has been disclosed to provide additional information and a more detailed understanding of the Group results. Net debt on both a reported basis and on a pre-IFRS 16 basis is set out below:

	June 2022 £'000	June 2021 £'000	December 2021 £'000
Net debt on a reported basis	252,305	52,422	41,123
IFRS 16 leases	(43,952)	(44,825)	(41,198)
Net debt/(cash) on a pre-IFRS 16 basis	208,353	7,597	(75)

The ratio of adjusted operating cash flow to EBITDA

The ratio of adjusted operating cash flow to EBITDA (on a trailing annual basis) is calculated as set out below:

	Half year ended June 2022 £'000	Half year ended June 2021 £'000	Year ended December 2021 £'000
Net cash flows from operating activities	33,283	64,849	65,536
Adjusting items paid	16,587	4,679	2,820
Net financial expenses paid	4,323	4,676	3,534
Taxation paid	14,650	6,877	13,527
Adjusted operating cash flow	68,843	81,081	85,417
EBITDA	114,937	95,813	107,074
Ratio of adjusted operating cash flow to EBITDA	59.9%	84.6%	79.8%

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 Board. Following the acquisition of Marley, the Group has reviewed its reporting segments. The Directors have concluded that going forward the Group will report under three reporting segments, namely Marshalls Landscape Products, Marshalls Building Products and Marley Roofing Products.

Marshalls Landscape Products comprises the Group's Public Sector and Commercial and Domestic landscape business, Landscape Protection and the International businesses. Marshalls Building Products comprises the Group's Civil and Drainage, Bricks and Masonry, Mortars and Screeds and Aggregates businesses.

4. Segmental analysis *continued*

Segment revenues and results

	Half year ended June 2022				Half year ended June 2021*				Year ended December 2021*			
	Landscape Products £'000	Building Products £'000	Roofing Products £'000	Total £'000	Landscape Products £'000	Building Products £'000	Roofing Products £'000	Total £'000	Landscape Products £'000	Building Products £'000	Roofing Products £'000	Total £'000
External revenue	**216,887**	**97,292**	**35,621**	**349,800**	218,807	80,773	–	299,580	424,807	167,358	–	592,165
Inter-segment revenue	**–**	**(1,411)**	**–**	**(1,411)**	(15)	(1,424)	–	(1,439)	(21)	(2,880)	–	(2,901)
Total revenue	**216,887**	**95,881**	**35,621**	**348,389**	218,792	79,349	–	298,141	424,786	164,478	–	589,264
Segment operating profit	**29,997**	**12,994**	**8,540**	**51,531**	35,495	8,994	–	44,489	62,412	19,640	–	82,052
Unallocated central costs				**(3,578)**				(2,856)				(4,681)
Operating profit before adjusting items				**47,953**				41,633				77,371
Adjusting items				**(20,648)**				(607)				(1,148)
Operating profit				**27,305**				41,026				76,223
Finance charges (net)				**(3,382)**				(2,176)				(6,901)
Profit before tax				**23,923**				38,850				69,322
Taxation				**(6,479)**				(8,275)				(14,424)
Profit after tax				**17,444**				30,575				54,898

* Following a change to the reporting segments, the comparative figures are being restated to ensure consistent classification with the analysis reported for the half year ended 30 June 2022. The change reflects the new internal performance reports and management responsibility framework.

Segment assets

	June 2022 £'000	June 2021* £'000	December 2021* £'000
Fixed assets, right-of-use assets, intangible assets and inventory:			
Landscape Products	**227,191**	251,674	256,933
Building Products	**153,844**	160,572	155,883
Roofing Products	**593,578**	–	–
Total segment fixed assets, right-of-use assets and inventory	**1,024,613**	412,246	412,816
Unallocated assets	**277,463**	183,396	183,156
Consolidated total assets	**1,302,076**	595,642	595,972

* Following a change to the reporting segments, the comparative figures are being restated to ensure consistent classification with the analysis reported for the half year ended 30 June 2022. The change reflects the new internal performance reports and management responsibility framework.

For the purpose of monitoring segment performance and allocating performance between segments, the Group's CODM monitors the property, plant and equipment, right-of-use assets and inventory. Assets used jointly by reportable segments are not allocated to individual reportable segments.

Other segment information

	Depreciation and amortisation			Fixed asset and right-of-use asset additions		
	Half year ended June 2022 £'000	Half year ended June 2021* £'000	Year ended December 2021* £'000	Half year ended June 2022 £'000	Half year ended June 2021 £'000	Year ended December 2021* £'000
Landscape Products	**10,636**	10,217	20,591	**13,982**	6,752	21,048
Building Products	**5,282**	5,128	10,325	**2,228**	4,244	6,621
Roofing Products	**2,506**	–	–	**461,585**	–	–
	18,424	15,345	30,916	**477,795**	10,996	27,669

* Following a change to the reporting segments, the comparative figures are being restated to ensure consistent classification with the analysis reported for the half year ended 30 June 2022. The change reflects the new internal performance reports and management responsibility framework.

Depreciation and amortisation includes £2,143,000 arising from the amortisation of intangible assets arising from purchase price allocation exercises comprising £607,000 (2021: £607,000) in Marshalls Building Products and £1,536,000 in Marley Roofing Products. This amortisation has been treated as an adjusting item (Note 6).

4. Segmental analysis *continued*
Geographical destination of revenue

	Half year ended June 2022 £'000	Half year ended June 2021 £'000	Year ended December 2021 £'000
United Kingdom	**328,802**	278,611	556,110
Rest of the World	**19,587**	19,530	33,154
	348,389	298,141	589,264

5. Net operating costs

	Half year ended June 2022 £'000	Half year ended June 2021 (as restated) £'000	Year ended December 2021 (as restated) £'000
Raw materials and consumables	**153,511**	125,613	246,478
Changes in inventories of finished goods and work in progress	**(20,476)**	(8,969)	(15,762)
Personnel costs	**74,948**	63,997	130,903
Depreciation of property, plant and equipment	**10,111**	8,206	16,423
Depreciation of right-of-use assets	**5,295**	5,692	11,315
Amortisation intangible assets	**875**	840	1,965
Own work capitalised	**(1,654)**	(1,585)	(2,758)
Other operating costs	**78,774**	63,719	124,665
Redundancy and other restructuring costs	**508**	–	398
Operating costs	**301,892**	257,513	513,627
Other operating income	**(1,026)**	(1,137)	(1,687)
Net (gain)/loss on asset and property disposals	**(430)**	132	(47)
Net operating costs before adjusting profits	**300,436**	256,508	511,893
Adjusting items	**20,648**	607	1,148
Net operating costs	**321,084**	257,115	513,041

6. Adjusting items

	Half year ended June 2022 £'000	Half year ended June 2021 (as restated) £'000	Year ended December 2021 (as restated) £'000
Acquisition costs (i)	**14,605**	–	–
Amortisation of acquired intangible assets (ii)	**2,143**	607	1,213
Unwind of inventory fair value adjustment (iii)	**3,900**	–	–
Additional special COVID-19 bonus paid to all colleagues (iv)	**–**	–	2,216
Redundancy and other closure costs (v)	**–**	–	1,175
Write-off of property, plant and equipment (vi)	**–**	–	1,666
Additional consideration to the CPM vendors (vii)	**–**	–	3,750
Net gain on sale of significant surplus site (viii)	**–**	–	(8,872)
Total adjusting items within operating costs (Note 5)	**20,648**	607	1,148
Adjusting interest expense on defined benefit pension scheme (ix)	**–**	–	2,813
Total adjusting items before taxation	**20,648**	607	3,961
Current tax on adjusting items (Note 8)	**(774)**	–	97
Deferred tax on adjusting items (Note 8)	**(1,276)**	–	(703)
Total adjusting items after tax	**18,598**	607	3,355

6. Adjusting items *continued*

(i) Acquisition costs relating to the acquisition of Marley Group plc.

(ii) Amortisation of acquired intangible assets is principally in respect of values recognised for the Marley brand and its customer relationships.

(iii) The unwind of the inventory fair value adjustment relates to the fair value uplift of the inventory as part of the Marley acquisition that has subsequently been sold. This item has been shown as an adjusting item to align with internal reporting and to present a margin consistent with that which would be reported in the absence of a recent acquisition transaction.

(iv) The additional special bonus payable to employees as a thank you for their support during the pandemic.

(v) Redundancy and other closure costs relate to the Edenhall Stoke site following a network review. The site was used to manufacture cast stone and the Group has decided to exit this market.

(vi) Write-off of property, plant and equipment relates to assets at our St Ives site that are being dismantled to allow construction of the dual block plant.

(vii) The additional consideration to the CPM vendors represents an accounting charge relating to the acquisition of CPM following the agreement reached with the vendors.

(viii) The net gain on a significant surplus site relates to the sale of Ryton near Coventry.

(ix) The interest expense on defined benefit pension scheme relates to a technical non-cash finance charge resulting from the receipt of Counsel's opinion on certain historic benefit issues (Note 7).

7. Financial expenses

	Half year ended June		Year ended December
	2022 £'000	2021 £'000	2021 £'000
(a) Financial expenses			
Net interest (income)/expense on defined benefit pension scheme	**(33)**	139	439
Interest expense on bank loans, overdrafts and loan notes	**2,266**	1,125	1,762
Interest expense on lease liabilities	**1,150**	913	1,889
	3,383	2,177	4,090
(b) Adjusting items			
Adjusting interest expense in defined benefit pension scheme	**–**	–	2,813
	3,383	2,177	6,903
(c) Financial income			
Interest receivable and similar income	**1**	1	2

Net interest expense on the defined benefit pension scheme is disclosed net of Company recharges (Note 13).

8. Income tax expense

	Half year ended June 2022 £'000	Half year ended June 2021 £'000	Year ended December 2021 £'000
Current tax expense			
Current year	**6,481**	5,006	11,360
Adjustments for prior years	**(348)**	(612)	(2,147)
	6,133	4,394	9,213
Deferred taxation expense			
Origination and reversal of temporary differences:			
Current year	**1,604**	4,698	6,519
Adjustment for prior years	**(1,258)**	(817)	(1,308)
Total tax expense	**6,479**	8,275	14,424
Current tax on adjusting items (Note 6)	**774**	–	(97)
Deferred tax on adjusting items (Note 6)	**1,276**	–	703
Total tax expenses before adjusting items	**8,529**	8,275	15,030

8. Income tax expense *continued*

	Half year ended June 2022 %	Half year ended June 2022 £'000	Half year ended June 2021 %	Half year ended June 2021 £'000	Year ended December 2021 %	Year ended December 2021 £'000
Reconciliation of effective tax rate						
Profit before tax	**100.0**	**23,923**	100.0	38,850	100.0	69,322
Tax using domestic corporation tax rate	**19.0**	**4,545**	19.0	7,382	19.0	13,171
Impact of capital allowances in excess of depreciation	**(6.4)**	**(1,550)**	(6.8)	(2,652)	(3.3)	(2,260)
Short-term timing differences	**1.5**	**366**	0.7	285	(0.1)	(74)
Adjustment to tax charge in prior period	**(1.5)**	**(348)**	(1.6)	(612)	(3.1)	(2,147)
Expenses not deductible for tax purposes	**13.0**	**3,120**	—	(9)	0.8	523
Corporation tax charge for the period	**25.6**	**6,133**	11.3	4,394	13.3	9,213
Impact of capital allowances in excess of depreciation	**11.1**	**2,641**	5.6	2,172	2.3	1,610
Short-term timing differences	**0.1**	**12**	—	(11)	—	(22)
Pension scheme movements	**—**	**3**	0.1	49	0.9	659
Adjusting items	**(5.3)**	**(1,276)**	(0.2)	(76)	(0.2)	(152)
Other items	**(0.5)**	**(108)**	0.1	24	(0.7)	(481)
Adjustment to tax charge in prior period	**(5.3)**	**(1,258)**	(2.1)	(817)	(1.9)	(1,308)
Impact of the change in the rate of corporation tax on deferred taxation	**1.4**	**332**	6.5	2,540	7.1	4,905
Total tax charge for the period	**27.1**	**6,479**	21.3	8,275	20.8	14,424

The effective tax rate was 27.1 per cent (2021: 21.3 per cent).

The net amount of deferred taxation debited to the Consolidated Statement of Comprehensive Income in the period was £3,981,000 (30 June 2021: £1,939,000 debit; 31 December 2021: £6,547,000 debit).

The deferred taxation liability at 30 June 2022 has been calculated using the 25 per cent rate, which is the rate at which most of the deferred tax is expected to unwind in the future.

9. Earnings per share

Basic earnings per share from total operations of 7.9 pence (30 June 2021: 15.3 pence earnings; 31 December 2021: 27.5 pence earnings) per share is calculated by dividing the profit attributable to Ordinary Shareholders for the financial period after adjusting for non-controlling interests of £17,230,000 (30 June 2021: £30,438,000 profit; 31 December 2021: £54,806,000 profit) by the weighted average number of shares in issue during the period of 217,846,900 (30 June 2021: 198,998,315; 31 December 2021: 199,094,964).

Basic earnings per share before adjusting items of 16.4 pence (30 June 2021: 15.6 pence; 31 December 2021: 29.2 pence) per share is calculated by dividing the profit attributable to Ordinary Shareholders for the financial period after adjusting for non-controlling interests of £35,828,000 (30 June 2021: £31,045,000; 31 December 2021: £58,161,000) by the weighted average number of shares in issue during the period of 217,846,900 (30 June 2021: 198,998,315; 31 December 2021: 199,094,964).

Profit attributable to Ordinary Shareholders

	Half year ended June 2022 £'000	Half year ended June 2021 (as restated) £'000	Year ended December 2021 (as restated) £'000
Profit before adjusting items	**36,042**	31,182	58,253
Adjusting items	**(18,598)**	(607)	(3,355)
Profit for the financial period	**17,444**	30,575	54,898
Result attributable to non-controlling interests	**(214)**	(137)	(92)
Profit attributable to Ordinary Shareholders	**17,230**	30,438	54,806

9. Earnings per share *continued*
Weighted average number of Ordinary Shares

	Half year ended June 2022 £'000	Half year ended June 2021 £'000	Year ended December 2021 £'000
Number of issued Ordinary Shares	**252,735,330**	200,052,157	200,052,157
Effect of shares issued during the period	**(34,790,453)**	–	–
Effect of shares transferred into employee benefit trust	**(97,977)**	(1,063,842)	(957,193)
Weighted average number of Ordinary Shares	**217,846,900**	198,988,315	199,094,964

Diluted earnings per share before adjusting items of 7.9 pence (30 June 2021: 15.2 pence, 31 December 2021: 27.4 pence) per share is calculated by dividing the profit for the financial period, after adjusting for non-controlling interests of £17,230,000 (30 June 2021: 30,438,000, 31 December 2021: £54,806,000), by the weighted average number of shares in issue during the period of 217,846,900 (30 June 2021: 198,988,315, 31 December 2021: 199,094,964), plus potentially dilutive shares of 788,660 (30 June 2021: 825,665, 31 December 2021: 1,222,847), which totals 218,635,590 (30 June 2021: 199,813,980; 31 December 2021: 200,317,811).

Diluted earnings per share before adjusting items of 16.4 pence (30 June 2021: 15.5 pence; 31 December 2021: 29.0 pence) per share is calculated by dividing the profit for the financial period, after adjusting for non-controlling interests of £35,828,000 (30 June 2021: £31,045,000; 31 December 2021: £58,161,000), by the weighted average number of shares in issue during the period of 217,846,900 (30 June 2021: 198,988,315; 31 December 2021: 199,094,964), plus potentially dilutive shares of 788,660 (30 June 2021: 825,665; 31 December 2021: 1,222,847), which totals 218,635,560 (30 June 2021: 199,813,980; 31 December 2021: 200,317,811).

Weighted average number of Ordinary Shares (diluted)

	Half year ended June 2022 £'000	Half year ended June 2021 £'000	Year ended December 2021 £'000
Weighted average number of Ordinary Shares	**217,846,900**	198,988,315	199,094,964
Dilutive shares	**788,660**	825,665	1,222,847
Weighted average number of Ordinary Shares (diluted)	**218,635,560**	199,813,980	200,317,811

10. Dividends
After the balance sheet date, the following dividends were proposed by the Directors.

	Pence per qualifying share	Half year ended June 2022 £'000	Half year ended June 2021 £'000	Year ended December 2021 £'000
2022 interim	5.7	**14,406**	–	–
2021 final	9.6	**–**	–	24,044
2021 interim	4.7	**–**	9,362	9,362
		14,406	9,362	33,406

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

	Pence per qualifying share	Half year ended June 2022 £'000	Half year ended June 2021 £'000	Year ended December 2021 £'000
2021 final	9.6	**24,044**	–	–
2021 interim	4.7	**–**	–	9,362
2020 final	4.3	**–**	8,542	8,542
		24,044	8,542	17,924

11. Intangible assets

	Goodwill £'000	Brand £'000	Customer relationships £'000	Supplier relationships £'000	Patents, trademarks and know-how £'000	Development costs £'000	Software £'000	Total £'000
Cost								
At 1 January 2021	87,426	–	12,811	1,629	1,760	159	20,374	124,159
Additions	–	–	–	–	–	139	2,746	2,885
Reclassified from property plant and equipment	–	–	–	–	–	342	495	837
At 31 December 2021	**87,426**	**–**	**12,811**	**1,629**	**1,760**	**640**	**23,615**	**127,881**
At 1 January 2022	**87,426**	**–**	**12,811**	**1,629**	**1,760**	**640**	**23,615**	**127,881**
Additions	**–**	**–**	**–**	**–**	**–**	**–**	**435**	**435**
Recognised on acquisition of subsidiary	**230,324**	**82,760**	**145,400**	**–**	**–**	**–**	**–**	**458,484**
At 30 June 2022	**317,750**	**82,760**	**158,211**	**1,629**	**1,760**	**640**	**24,050**	**586,800**
Amortisation and impairment losses								
At 1 January 2021	8,912	–	5,121	1,166	1,558	133	12,590	29,480
Amortisation for the year	–	–	1,060	103	42	88	1,885	3,178
Reclassified from property plant and equipment	–	–	–	–	–	144	75	219
At 31 December 2021	8,912	–	6,181	1,269	1,600	365	14,550	32,877
At 1 January 2021	**8,912**	**–**	**6,181**	**1,269**	**1,600**	**365**	**14,550**	**32,877**
Amortisation for the period	**–**	**587**	**1,479**	**51**	**21**	**46**	**834**	**3,018**
At 31 December 2021	**8,912**	**587**	**7,660**	**1,320**	**1,621**	**411**	**15,384**	**35,895**
Carrying amounts								
At 1 January 2021	78,514	–	7,690	463	202	26	7,784	94,679
At 31 December 2021	**78,514**	**–**	**6,630**	**360**	**160**	**275**	**9,065**	**95,004**
At 30 June 2022	**308,838**	**82,173**	**150,551**	**309**	**139**	**229**	**8,666**	**550,905**

12. Lease liabilities

	June 2022 £'000	June 2021 £'000	December 2021 £'000
Analysed as:			
Amounts due for settlement within 12 months (shown under current liabilities)	**8,675**	9,201	8,545
Amounts due for settlement after 12 months	**35,393**	35,881	32,776
	44,068	45,082	41,321

The Group does not face a significant liquidity risk with regard to its lease liabilities. The interest expense on lease liabilities amounted to £1,150,000 for the half year ended 30 June 2022 (June 2021: £913,000; December 2021: £1,889,000). 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 2022, the average effective borrowing rate was 3.3 per cent (June 2021: 2.9 per cent; December 2021: 3.4 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.

For the half year ended 30 June 2022, the total cash outflow in relation to leases amounts to £4,851,000 (2021: £5,640,000). The total cash outflow in relation to short-term and low value leases was £3,460,000 (2021: £2,681,000).

13. 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 being carried out with an effective date of 5 April 2024. 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 2021 and this revealed an actuarial surplus of £24.3 million with no requirement for cash contributions to be made by the Company. The results of that valuation have been projected to 30 June 2022 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		
	2022 £'000	2021 £'000	December 2021 £'000
Present value of Scheme liabilities	**(262,428)**	(370,104)	(366,359)
Fair value of Scheme assets	**306,133**	379,577	392,116
Net amount recognised (before any adjustment for deferred tax)	**43,705**	9,473	25,757

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		Year ended
	2022 £'000	2021 £'000	December 2021 £'000
Service cost:			
Net interest expense recognised in the Consolidated Income Statement	**17**	189	3,352
Remeasurements of the net liability:			
Return on Scheme assets (excluding amount included in interest expense)	**80,979**	20,249	3,786
Gain arising from changes in financial assumptions	**(93,936)**	(23,929)	(20,383)
Gain arising from changes in demographic assumptions	**(889)**	(3,256)	(6,317)
Experience gain	**(4,119)**	–	(3,469)
Credit recorded in other comprehensive income	**(17,965)**	(6,936)	(26,383)
Total defined benefit credit	**(17,948)**	(6,747)	(23,031)

13. Employee benefits *continued*

The principal actuarial assumptions used were:

	June 2022	June 2021	December 2021
Liability discount rate	**3.70%**	1.90%	1.90%
Inflation assumption – RPI	**3.15%**	3.20%	3.30%
Inflation assumption – CPI	**2.60%**	2.55%	2.70%
Rate of increase in salaries	**n/a**	n/a	n/a
Revaluation of deferred pensions	**2.60%**	2.55%	2.70%
Increases for pensions in payment:			
CPI pension increases (maximum 5% per annum)	**2.60%**	2.55%	2.70%
CPI pension increases (maximum 5% per annum, minimum 3% per annum)	**3.30%**	3.35%	3.35%
CPI pension increases (maximum 3% per annum)	**2.30%**	2.20%	2.35%
Proportion of employees opting for early retirement	**0%**	0%	0%
Proportion of employees commuting pension for cash	**80%**	80%	80%
Mortality assumption – before retirement	**Same as post retirement**	Same as post retirement	Same as post retirement
Mortality assumption – after retirement (males)	**S2PXA tables**	S2PXA tables	S2PXA tables
Loading	**110%**	110%	110%
Projection basis	**Year of birth**	Year of birth	Year of birth
	CMI_2021 1.0%	CMI_2020 1.0%	CMI_2020 1.0%
Mortality assumption – after retirement (females)	**S2PXA tables**	S2PXA tables	S2PXA tables
Loading	**110%**	110%	110%
Projection basis	**Year of birth**	Year of birth	Year of birth
	CMI_2021 1.0%	CMI_2020 1.0%	CMI_2020 1.0%
Future expected lifetime of current pensioner at age 65:			
Male aged 65 at year end	**85.3**	85.5	85.4
Female aged 65 at year end	**87.5**	87.6	87.5
Future expected lifetime of future pensioner at age 65:			
Male aged 45 at year end	**86.3**	86.5	86.3
Female aged 45 at year end	**88.7**	88.8	88.7

14. Acquisition of subsidiary

On 29 April 2022, Marshalls Group Limited acquired 100 per cent of the issued share capital of Marley Group plc, a leader in the manufacture and supply of pitched roofing systems to the UK construction market.

The amounts in respect of the identifiable assets required and liabilities assured are as set out in the table below:

	Provisional fair Values acquired £'000
Land and buildings	81,460
Plant, machinery and vehicles	29,869
Right-of-use assets	1,424
Brand	82,760
Customer relationships	145,400
Inventories	27,616
Trade and other receivables	33,284
Cash and cash equivalents	34,087
Trade and other payables	(33,977)
Provisions	(4,932)
Borrowings	(291,956)
Lease liabilities	(1,588)
Corporation tax	(2,960)
Deferred tax	(62,904)
Total identifiable net assets	37,583
Goodwill	230,324
	267,907
Total consideration satisfied by:	
Cash consideration	120,280
Equity consideration	147,627
Total cost of investment	267,907
Total cash movements in connection with the acquisition:	
Cash consideration	120,280
Cash and cash equivalents acquired	(34,087)
Borrowings acquired	291,956
Lease liabilities acquired	1,588
Total cash outflow (net) in connection with the acquisition	379,737

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

The goodwill arising from the acquisition represents the opportunity to grow by utilising the capabilities and technical expertise of the acquired workforce and the developing synergistic opportunities. The goodwill arising from the acquisition is not expected to be deductible for income tax purposes. Transaction costs incurred on the acquisition totalled £14,605,000 and further details are set out in Note 6, adjusting items.

Marley Group plc contributed revenue of £35,621,000 and adjusted profit of £8,540,000 to the Group's results for the period between the date of acquisition and the balance sheet date.

15. Analysis of net debt

	1 January 2022 £'000	Cash flow £'000	New leases £'000	On acquisition of Marley £'000	Other changes[(i)] £'000	**30 June 2022 £'000**
Cash at bank and in hand	41,212	2,712	–	34,087	245	**78,256**
Debt due within 1 year	(1,673)	1,673	–	–	–	**–**
Debt due after 1 year[(ii)]	(39,341)	44,914	–	(291,956)	(110)	**(286,493)**
Lease liabilities	(41,321)	4,851	(6,010)	(1,588)	–	**(44,068)**
	(41,123)	54,150	(6,010)	(259,457)	135	**(252,305)**

(i) Other changes include foreign currency movements on cash and loan balances.

(ii) Movement in the debt is shown net of bank arrangement fees.

Reconciliation of net cash flow to movement in net debt

	Half year ended June		Year ended December
	2022 £'000	2021 £'000	2021 £'000
Net increase/(decrease) in cash and cash equivalents	**2,712**	(51,377)	(62,439)
Cash outflow/(inflow) from decrease/(increase) in bank borrowings	**46,587**	70,241	88,628
On acquisition of subsidiary undertaking	**(259,457)**	–	–
Cash outflow from lease repayments	**4,851**	5,640	10,828
New leases entered into	**(6,010)**	(1,731)	(3,158)
Effect of exchange rate fluctuations	**135**	371	584
Movement in net debt in the period	**(211,182)**	23,144	34,443
Net debt at the beginning of the period	**(41,123)**	(75,566)	(75,566)
Net debt at the end of the period	**(252,305)**	(52,422)	(41,123)

16. Borrowing facilities

The total bank borrowing facilities at 30 June 2022 amounted to £370 million (30 June 2021: £165.0 million; 31 December 2021: £155.0 million), of which £80.2 million (30 June 2021: £105.4 million; 31 December 2021: £114.0 million) remained unutilised.

The undrawn facilities available at 30 June 2022, in respect of which all conditions precedent had been met, were as follows:

	June		December
	2022 £'000	2021 £'000	2021 £'000
Committed:			
Expiring in more than 2 years but not more than 5 years	**80,207**	80,395	80,659
Expiring in 1 year or less	**–**	–	18,327
Uncommitted:			
Expiring in 1 year or less	**–**	25,000	15,000
	80,207	105,395	113,986

On 3 May 2022, the Group drew down a new four year loan of £210 million to support the funding of the acquisition of Marley. In addition to the support the term loan, the group has entered into a new committed revolving credit facility of £160 million with a maturity date of four years.

The Group's committed bank facilities are charged at variable rates based on SONIA. The Group's bank facilities continue to be aligned with the current strategy to ensure that headroom against available facilities remains at appropriate levels and are structured to provide balanced and committed medium-term debt.

17. 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 2022 is shown below:

	June 2022		June 2021		December 2021	
	Book amount £'000	**Fair value £'000**	Book amount £'000	Fair value £'000	Book amount £'000	Fair value £'000
Trade and other receivables	**136,796**	**136,796**	107,809	107,809	95,032	95,032
Cash and cash equivalents	**78,256**	**78,256**	52,265	52,265	41,212	41,212
Bank loans	**(286,493)**	**(276,866)**	(59,605)	(57,348)	(41,014)	(40,023)
Trade and other payables	**(134,122)**	**(134,122)**	(125,422)	(125,422)	(118,888)	(118,888)
Interest rate swaps, forward contracts and fuel hedges	**1,507**	**1,507**	(855)	(855)	813	813
Contingent consideration	**(4,932)**	**(4,932)**	(1,800)	(1,800)	(1,563)	(1,563)
Financial instrument assets and liabilities – net	**(208,988)**		(27,608)		(24,408)	
Non-financial instrument assets and liabilities – net	**(914,750)**		347,714		368,725	
	705,762		320,106		344,317	

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. There have been no movements between levels 1, 2 and 3 during the period for any financial instruments.

(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) 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. All other receivables/payables are discounted to determine the fair value.

(d) 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.

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
30 June 2022				
Derivative financial assets	**–**	**1,507**	**(4,932)**	**(3,425)**
30 June 2021				
Derivative financial liabilities	–	(855)	(1,800)	(2,655)
31 December 2021				
Derivative financial assets	–	813	(1,563)	(750)

18. Principal risks and uncertainties

Risk management is the responsibility of the Board and is a key factor in the delivery of the Group's strategic objectives. The Board establishes the culture of effective risk management and is responsible for maintaining appropriate systems and controls. The Board sets the risk appetite and determines the policies and procedures that mitigate exposure to risks. The Board plays a central role in the Group's Risk Review process, which covers emerging risks and incorporates scenario planning and detailed stress testing.

The following bullet points summarise the key current risks for the Group. In each case, risk assessments have been prepared and mitigating controls continue to be reviewed as appropriate. In addition, scenario planning is regularly undertaken.

- Macro-economic uncertainty – there continue to be global external risks and increasingly volatile market indicators, with significant cost inflation and an uncertain outlook. These have been heightened by the war in Ukraine, which is impacting global raw material and energy supplies. The Group operates in different markets and aims to have significant flexibility in its manufacturing and supply chain processes. The acquisition of Marley has significantly increased the Group's diversification which serves to mitigate external market risk.
- Information technology and cyber security – cyber risk continues to increase and we continue to use external specialists to undertake detailed reviews in order to support our ongoing monitoring. Practical support and guidance together with additional cyber security training are provided to facilitate home working and this continues to be a priority.
- Security of raw materials supply and other procurement risks – cost inflation, together with pressures on labour and raw material availability continue to be a key business risk. We aim to build in flexibility so that the business can respond to changing external circumstances.
- Climate change and other ESG issues – to ensure the effective management of all relevant risks and opportunities. The Group remains committed to full transparency for all stakeholders and the Group's sustainability objectives remain core to the Group's business model and strategy. The Group employs experienced, dedicated staff to support our ESG agenda and the detailed project planning that will be required to meet the emission reduction targets approved by the Science Based Targets initiative.

The other principal risks and uncertainties that could impact the business for the remainder of the current financial year are those detailed on pages 34 to 43 of the 2021 Annual Report. These cover the strategic, financial and operational risks and have not changed significantly during the period. As trading has progressively improved, the risk profile of certain risks, such as bank funding and liquidity, has reduced.

Strategic risks include those relating to the ongoing Government policy in response to increased volatility and an uncertain economic backdrop. Strategic risks also include the actions of customers, suppliers and competitors, and weather conditions. Cyber security risk within the wider market is also an increasing risk for the Group and continues to be 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 return seeking assets 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. Following the introduction of a new term loan to part fund the acquisition of Marley, the Group has implemented a comprehensive hedging strategy in order to provide protection against significant increases in interest rates.

External operational risks include the effect of legislation or other regulatory actions, the actions of competitors, raw material prices and threats from cyber security and new business strategies.

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 contained in UK adopted IFRS; 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 2022 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 2022 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 2022 were as follows:

Vanda Murray OBE	Chair of the Board
Simon Bourne	Chief Operating Officer (appointed 1 April 2022)
Angela Bromfield	Non-Executive Director
Martyn Coffey	Chief Executive
Avis Darzins	Non-Executive Director
Justin Lockwood	Chief Financial Officer
Tim Pile	Non-Executive Director
Graham Prothero	Senior Non-Executive Director

The responsibilities of the Directors during their period of service were as set out on pages 70 and 71 of the 2021 Annual Report.

By order of the Board

Shiv Sibal
Group Company Secretary
18 August 2022

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

Conclusion

We have been engaged by the Company to review the condensed set of Financial Statements in the Half Year Financial Report for the six months ended 30 June 2022 which comprises the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and related notes 1 to 18.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the Half-yearly Financial Report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 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 (ISRE (UK) 2410). 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.

As disclosed in note 1, the annual Financial Statements of the Group are prepared in accordance with United Kingdom adopted International Accounting Standards. The condensed set of Financial Statements included in this Half-yearly Financial Report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

The Directors are responsible for preparing the Half-yearly Financial Report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the Half-yearly Financial Report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the Half-yearly Financial Report, we are responsible for expressing to the Group a conclusion on the condensed set of Financial Statement in the Half-yearly Financial Report. Our conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with ISRE (UK) 2410. 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.

Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
18 August 2022

Shareholder Information

Financial calendar

Half year results for the year ending December 2022	Announced 18 August 2022
Interim dividend for the year ending December 2022	Payable 1 December 2022
Results for the year ending December 2022	Announcement March 2023
Report and accounts for the year ending December 2022	April 2023
Annual General Meeting	May 2023

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.

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