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Marshalls

Well placed to deliver a strong recovery

Marshalls plc, the specialist Landscape Products group, announces its interim year results for the half year ended 30 June 2020.

Financial Highlights	Half Year ended 30 June 2020	Half Year ended 30 June 2019
Results before operational restructuring costs and asset impairments[1]		
Revenue	£210.5m	£280.1m
EBITDA	£18.2m	£54.9m
EBITDA – pre-IFRS 16	£11.8m	£47.3m
Operating profit	£3.5m	£39.0m
Profit before tax	£1.6m	£37.1m
Basic EPS	0.12p	15.18p
ROCE	10.9%	19.3%
Net debt	£98.9m	£97.7m
Net debt – pre-IFRS 16	£53.9m	£55.6m
Statutory results		
Operating profit	£3.5m	£39.0m
Operational restructuring costs and asset impairments	£(17.6)m	-
Operating (loss) / profit	£(14.1)m	£39.0m
(Loss) / profit before tax	£(16.0)m	£37.1m
Basic EPS	(7.25)p	15.18p

Notes:

1. Alternative performance measures are used consistently throughout this Interim Announcement. These relate to EBITA, EBITDA, return on capital employed ("ROCE"), net debt and results before operational restructuring costs and asset impairments. Following the transition to IFRS 16, reference has been made to "pre-IFRS 16" and "reported basis," the latter referring to amounts required under IFRS 16. For further details of their purpose, definition and reconciliation to the equivalent statutory measures, see Note 3.

Operational highlights

- Priority given to health and safety during the COVID-19 crisis; no COVID-19 related incidents have been incurred
- Trading has improved further since the half year end with revenue in the month of July at 94 per cent of the 2019 comparative period and in the month of August at 100 per cent of the 2019 comparative period
- Maximised efficiency and maintained full national manufacturing operational flexibility and logistics capacity in order to meet demand
- The operational restructuring exercise is now complete; resulting in the closure of certain manufacturing sites and overhead reductions across the Group
- All continuing manufacturing sites are now fully operational
- Maintained focus on innovation, ESG priorities, sales opportunities and growth over the medium term

Financial highlights

- Continued emphasis on cost reduction
- Group liquidity has been maintained and enhanced throughout the COVID-19 period
- Net debt of £53.9m (2019: £55.6 million) on a pre-IFRS 16 basis
- Additional short term RCF bank facilities of £90m and CCFF facility of £200m
- Total bank facilities now £255m, of which £230m are committed
- Marshalls confirms its intention to repay in full the furlough monies received of £9.4m

- The costs associated with operational restructuring totalled £17.6 million and have been charged to the income statement in the period
- Restructuring expected to reduce fixed costs by approximately £12 million in a full year and improve operational efficiency going forward
- Maintained a strong balance sheet and a flexible capital structure - Marshalls should emerge in a stronger competitive position

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

"Although business confidence and market demand remain uncertain, recent trading has been better than expected and continues to improve. Our restructuring programme is now complete and the new bank facilities have further strengthened the Group. The decisive actions that have been taken have improved the efficiency and flexibility of our plants and will help Marshalls to emerge from the current market difficulties in a stronger competitive position.

Marshalls holds a leading position and enjoys a strong brand in its core markets. We will continue to protect the long term sustainability of the business and will remain focused on developing future growth opportunities and delivering the strategic objectives set out in our 5 year Strategy."

There will be a video webcast for analysts and investors today at 10:00am. The presentation will be available for analysts and investors who are unable to view the webcast live and can be viewed on Marshalls' website at www.marshalls.co.uk. Users can register to access the webcast using the following link: https://webcasting.brrmedia.co.uk/broadcast/5f3e2fa6b14d872626439f7f. There will also be a telephone dial in facility available Tel: +44 (0)330 336 9125 - Access Code: 1128610.

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INTERIM MANAGEMENT REPORT

Group results

Marshalls' revenue for the 6 months ended 30 June 2020 was £210.5 million (2019: £280.1 million) which represents a decrease of 25 per cent year on year. Revenue in June was down 7 per cent, compared with the prior year, on a like for like basis. This result represented a significant improvement from the early part of the COVID-19 outbreak and compares with sales in April, which were 66 per cent down. Trading has improved further since the half year end with revenue in the month of July at 94 per cent of the 2019 comparative period and in the month of August at 100 per cent of the 2019 comparative period.

The Group continues to focus on cost reduction measures and in maintaining cash liquidity. As at 30 June 2020, the Group had net debt of £53.9 million, on a pre-IFRS 16 basis (2019: £55.6 million). We continue to monitor cash flows closely and at 31 August 2020 net debt, on a pre-IFRS 16 basis, remained ahead of management expectations at £60.8 million.

For the 6 months to 30 June 2020, sales to the Public Sector and Commercial end market represented 64 per cent of Group sales and were 28 per cent behind the comparative period in 2019. The Group continues to target those parts of the market where higher levels of growth are anticipated including Infrastructure projects in Road, Rail and Water Management.

For the 6 months to 30 June 2020, sales to the Domestic end market represented 28 per cent of Group sales and were 24 per cent behind the comparative period in 2019. Sales have picked up strongly since May. The survey of domestic installers at the end of June 2020 showed a healthy order book of 11.9 weeks (June 2019: 11.5 weeks; February 2020: 10.7 weeks). The stronger sales reflect increased demand for DIY projects, with the trend being for domestic consumers, who in many cases have been unable to take their usual holidays, to invest in home and garden projects. Although business confidence and market demand in the housebuilding sector remain uncertain, we have seen a shifting trend towards the "Don't Move, Improve" part of the Domestic end market.

Sales in the International business increased by 15 per cent compared with the prior year half year period, supported by strong sales from Marshalls NV in Belgium. International sales were 8 per cent of Group sales in the 6 months ended 30 June 2020. The Group continues to develop its global supply chains and infrastructure to ensure that international operations are sustainable and aligned with market opportunities.

EBITDA was £18.2 million (2019: £54.9 million) before operational restructuring costs and asset impairments of £17.6 million. Operating profit before operational restructuring costs and asset impairments was £3.5 million (2019: £39.0 million). After operational restructuring costs and asset impairments the reported loss before tax for the period was £16.0 million.

Group return on capital employed ("ROCE") was 10.9 per cent for the 12 months ended 30 June 2020 (30 June 2019: 19.3 per cent).

Net financial expenses were £1.9 million (2019: £1.9 million), including £0.7 million of IFRS 16 lease interest. On a rolling annual basis, interest was covered 14.8 times (2019: 32.4 times).

Basic EPS, before operational restructuring costs and asset impairments, was 0.12 pence (2019: 15.18 pence) per share. Reported EPS was -7.25 pence.

Operational restructuring costs and other actions taken

Throughout the last few months, actions have been taken to control costs and maintain cash liquidity. Discretionary expenditure has been halted, capital expenditure restricted only to essential items and there remains a recruitment freeze. Additionally, the Board and Senior Management agreed to a temporary reduction in remuneration. The Group has utilised the Government's scheme which allows the deferral of tax payments that would normally have been payable in the period to 30 June 2020, and has also utilised the furlough arrangements that were available in the second quarter. The total amount of furlough received has been £9.4 million and it is the Group's intention to repay this.

In May, the Group announced a series of restructuring proposals covering all parts the business, including selective site closures, changes in shift patterns and proposed changes to the size and structure of support functions. Approximately 15 per cent of Marshalls total workforce have been impacted and the manufacturing facilities in Falkirk, Llan and Livingston have been closed along with a number of Premier Mortars sites. The restructuring programme is now complete and the full cost of £17.6 million has been charged to the Income Statement in the 6 months to 30 June 2020. These actions are expected to reduce fixed costs by approximately £12 million in a full year and improve operational efficiency going forward. The cash element of the operational restructuring costs is expected to be approximately £9.0 million, of which £3.5 million was incurred in the period to 30 June 2020.

The nature of the concrete manufacturing process means our facilities have short re-start times and low cost requirements. This flexibility and our improved efficiency means that capacity will not be materially reduced by the operational restructuring changes and we will continue to satisfy our customers' requirements.

Marshalls 5 year Strategy

We continue to risk assess all challenges and develop risk mitigation strategies that seek to address a range of downside scenarios. The impact of COVID-19 has presented many challenges and a significant short term reduction in sales. However, these issues do not change the essential pillars and underlying objectives of our 5 year Strategy. We are confident that the strategy is the right one, with in-built flexibility such that the pace at which it is delivered can be adapted to external and economic uncertainties. The COVID-19 pandemic has necessitated a pause to certain aspects of the strategy but, as conditions allow, actions will be taken to re-commence initiatives that remain key parts of the 5 year Strategy.

Our 5 year Strategy will continue to lay the foundation for achieving our strategic goal of becoming the UK's leading manufacturer of products for the Built Environment. At the heart of our strategy are 8 priority areas for investment and business focus, and we will continue to strive to be more efficient, cost effective and innovative in order to challenge the market. The Group will continue to focus on service, quality, design, innovation and sustainability and we are committed to the promotion of our strong environmental, social and governance ("ESG") objectives. Marshalls continues to support the UN Global Compact sustainable development goals.
https://media.marshalls.co.uk/image/upload/fl_attachment/v1597668615/Marshalls-plc-UNGC-COP-2019.pdf
The overall Group strategy continues to focus on the maintenance of a strong balance sheet, a flexible capital structure and a clear capital allocation policy.

Operating performance

All continuing manufacturing sites are now fully operational and our priority continues to be the safety and well-being of all our employees, suppliers and customers. Our health and safety practices are in line or, in many cases, exceed the recommended guidelines.

In the Public Sector and Commercial end market, Marshalls' strategy is to focus on those market areas where future demand is considered to be greatest, including New Build Housing, Road, Rail and Water Management. Our aim is to offer sustainable integrated solutions to customers, architects and contractors and our "Design Space" offices in Central London and Birmingham showcase the Group's brand leading capabilities and technical and design solutions. The UK Government has announced Public Sector investment of £640 billion over the next 5 years and is bringing forward £5 billion of capital investment projects. This includes a significant number of road and rail projects together with refurbishment programmes for schools, hospitals and town centres. The current stamp duty holiday and the extension to the Help to Buy scheme should both provide a boost to short term housing demand. Longer term the shortage of UK housing and the Government's desire to support building initiatives remain, although the overall outlook for the housebuilding sector will be largely dependent on consumer demand.

In the Domestic end market, the Group's strategy is to drive more sales through the Marshalls Register which comprises approximately 1,900 installer teams. This ensures a consistently high standard of quality, customer service and marketing support. We aim to be the supplier of choice and remain focused on providing outstanding customer experience by extending digitisation and our commitment to innovation. Homeowners on furlough or working from home have found it easier to undertake refurbishment projects and the Group has benefited in recent months from an increased demand for DIY projects. This growth has been supported by the Group's further development of its digital strategy. Investment in these areas has been a key part of the 5 year Strategy and our new platforms are moving towards providing a cohesive, frictionless user experience for customers.

Balance sheet and cash flow

Net assets at 30 June 2020 were £275.8 million (June 2019: £278.2 million).

On a reported basis, net debt was £98.9 million at 30 June 2020 (2019: £97.7 million). This net debt figure includes £45.0 million of IFRS 16 lease liabilities. On a pre-IFRS 16 basis, net debt was £53.9 million (30 June 2019: £55.6 million). This result was better than expected and reflects the improved trading performance. All PAYE, NIC and aggregates levy payments that were deferred during the second quarter in line with the Government's scheme were repaid before 30 June 2020.

On 1 May 2020, the Group signed agreements with each of NatWest, Lloyds and HSBC for an additional £30 million from each, for a 12 month committed revolving credit facility, with a 12 month extension option. These additional facilities totalling £90 million, significantly expand the Group's headroom. On 9 September 2020, the Group signed an agreement with HSBC to extend its existing 4 year £35 million facility for a further year until August 2024. Including the additional facilities, Marshalls now has total bank facilities of £255 million of which £230 million are committed. In addition, Marshalls has also established a commercial programme under the COVID Corporate Financing Facility ("CCFF") with an issuer limit of £200 million.

At 30 June 2020 there were unutilised bank facilities of £115.1 million (Note 14) in addition to the undrawn CCFF facility. Cash generation has been better than expected and there is no current intention to utilise either the additional £90 million bank facilities or the CCFF commercial paper programme. The Group continues to focus on robust capital disciplines and strong cash management continues to be a high priority area. The Group operates tight control over business, through both operational and financial procedures and continues to focus on inventory levels and the close control of credit management procedures. The Group maintains credit insurance which provides excellent intelligence to minimise the number and value of bad debts. The Group does not engage in debt factoring.

The balance sheet value of the Group's defined benefit pension scheme was a surplus of £10.4 million at 30 June 2020 (December 2019: £15.7 million surplus; June 2019: £20.6 million surplus). The surplus has been determined by the scheme actuary using assumptions that are considered to be prudent and in line with current market levels. During the last 6 months the AA corporate bond rate has fallen from 2.10 per cent to 1.55 per cent and this is the primary driver of the surplus reduction. The expected rate of CPI inflation has remained at 2.05 per cent. The balance sheet value continues to benefit from the high proportion of liability-driven investments whose performance matches the liabilities.

Dividend

The Group's capital allocation strategy is to maintain a strong balance sheet and a flexible capital structure that recognises cyclical risk, while focusing on security, efficiency and liquidity. The capital allocation policy continues to prioritise organic capital investment although capital expenditure projects have been deferred in response to COVID-19.

As a consequence of COVID-19, the Board is not proposing an interim dividend for the current year. The payment of dividends continues to be a key priority for capital allocation. The resumption of future dividends will be reviewed at the full year. The Group will maintain its policy objective of achieving up to 2 times dividend cover over the business cycle.

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

The impact of the COVID-19 pandemic on the business and its underlying principal risks, set out below, are being assessed on an ongoing basis. Further details of how the Group has mitigated these risks in response to COVID-19 are set out in Note 16.

- Health and safety – to ensure the safety and well-being of all employees and other stakeholders.
- Significantly reduced sales – to manage the short term impact on the business.
- Liquidity – to ensure the adequacy and security of bank facilities.
- Information technology and cyber security – to ensure the continuity of business during the COVID-19 restrictions.
- Control environment – to ensure the maintenance of key operational controls during the COVID-19 restrictions.
- Return to “business as usual” – to ensure the effective and safe transition process of employees and stakeholders.
- Medium term strategy – to ensure the continued alignment of the business model to meet expected medium term demand.

A detailed explanation of the Group’s risk environment and how the Group seeks to mitigate its risks, can be found on pages 24 to 29 of the 2019 Annual Report, which is available at www.marshalls.co.uk/investor/annual-and-interim-reports.

Going concern

Details of the Group’s funding position are set out in Note 14. In assessing the appropriateness of adopting the going concern basis in the Condensed Consolidated Half Year Financial Statements, the Board reviewed a range of severe downside scenarios to assess the potential impact of COVID-19. Each of the downside scenarios modelled adopted significant sensitivities in relation to revenue, profit and cash flow over a 2 year period. The sensitivities applied to revenue were significant, being up to 70 per cent reductions for extended periods. Each scenario utilised different assumptions as to the immediacy, timing, length and depth of the most severe impact and one scenario covered the impact of a second “W-shaped” dip. Further details relating to the financial modelling that has been undertaken and the procedures taken by the Board to assess going concern are set out in Note 1.

Based on existing forecasts, current trading and expectations, the Group’s cash forecasts continue to meet prevailing half year and year end bank covenants and there is adequate headroom which is not dependent on facility renewals. The bank facilities available to the Group are sufficient to meet significant downside liquidity scenarios over a prolonged period and consequently the Group is well placed to manage its business risks successfully.

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

Outlook

Although business confidence and market demand remain uncertain, recent trading has been better than expected and continues to improve. Our restructuring programme is now complete and the new bank facilities have further strengthened the Group. The decisive actions that have been taken have improved the efficiency and flexibility of our plants and will help Marshalls to emerge from the current market difficulties in a stronger competitive position.

Marshalls holds a leading position and enjoys a strong brand in its core markets. We will continue to protect the long term sustainability of the business and will remain focused on developing future growth opportunities and delivering the strategic objectives in our 5 year Strategy.

Following the onset of COVID-19, the Group withdrew financial guidance for the year on 27 March. Following the strong recovery in sales volumes seen in the business in recent weeks, Marshalls is reinstating guidance with this announcement, albeit on a qualified basis given the continued uncertainty regarding any future impacts from COVID-19. Assuming the current demand recovery continues, the Group anticipates delivering an operating profit for the full year consistent with current consensus.

Martyn Coffey
Chief Executive

Condensed Consolidated Income Statement

for the half year ended 30 June 2020

	Notes	**Before operational restructuring costs and asset impairments**	**Operational restructuring costs and asset impairments**	**Total**		
		Half year ended June				Year ended December
		2020	**2020**	**2020**	2019	2019
		£'000	**£'000**	**£'000**	£'000	£'000
Revenue	4	**210,473**	**-**	**210,473**	280,107	541,832
Net operating costs	5	**(206,933)**	**(17,609)**	**(224,542)**	(241,085)	(468,151)
Operating profit / (loss)	4	**3,540**	**(17,609)**	**(14,069)**	39,022	73,681
Financial expenses	7	**(1,914)**	**-**	**(1,914)**	(1,931)	(3,835)
Financial income		**6**	**-**	**6**	1	7
Profit / (loss) before tax	4	**1,632**	**(17,609)**	**(15,977)**	37,092	69,853
Income tax (expense) / credit	8	**(1,186)**	**2,985**	**1,799**	(7,055)	(11,942)
Profit / (loss) for the financial period		**446**	**(14,624)**	**(14,178)**	30,037	57,911
Profit / (loss) for the financial period Attributable to:						
Equity shareholders of the parent		**233**	**(14,624)**	**(14,391)**	30,100	58,240
Non-controlling interests		**213**	**-**	**213**	(63)	(329)
		446	**(14,624)**	**(14,178)**	30,037	57,911
Earnings per share						
Basic	9	**0.12p**		**(7.25)p**	15.18p	29.36p
Diluted	9	**0.12p**		**-**	15.07p	29.14p
Dividend						
Pence per share	10			**-**	8.00p	12.00p
Supplementary	10			**-**	4.00p	4.70p
Dividends declared	10			**-**	23,802	33,113

All results relate to continuing operations.

Condensed Consolidated Statement of Comprehensive Income
for the half year ended 30 June 2020

	Half year ended June		Year ended December
	2020	2019	2019
	£'000	£'000	£'000
Profit for the financial period before operational restructuring costs and asset impairments	**446**	30,037	57,911
Operational restructuring costs and asset impairments	**(14,624)**	-	-
(Loss) / profit for the financial period	**(14,178)**	30,037	57,911
Other comprehensive (expense) / income			
Items that will not be reclassified to the Income Statement:			
Remeasurement of the net defined benefit asset	**(5,205)**	7,590	2,847
Deferred tax arising	**989**	(1,290)	(484)
Impact of the change in rate of deferred tax on defined benefit plan actuarial loss	**(314)**	-	-
Total items that will not be reclassified to the Income Statement	**(4,530)**	6,300	2,363
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	**(1,273)**	216	231
Fair value of cash flow hedges transferred to the Income Statement	**619**	(62)	113
Deferred tax arising	**111**	(26)	(58)
Exchange difference on retranslation of foreign currency net investment	**1,243**	27	(869)
Exchange movements associated with borrowings	**(1,169)**	(17)	992
Foreign currency translation differences – non-controlling interests	**48**	(5)	(42)
Total items that are or may be reclassified subsequently to the Income Statement	**(421)**	133	367
Other comprehensive (expense) / income for the period, net of income tax	**(4,951)**	6,433	2,730
Total comprehensive (expense) / income for the period	**(19,129)**	36,470	60,641
Attributable to:			
Equity shareholders of the Parent	**(19,390)**	36,538	61,012
Non-controlling interests	**261**	(68)	(371)
	(19,129)	36,470	60,641

Condensed Consolidated Balance Sheet

as at 30 June 2020

	Notes	June 2020 £'000	June 2019 £'000	December 2019 £'000
Assets				
Non-current assets				
Property, plant and equipment		**194,794**	190,036	195,554
Right-of-use assets		**43,622**	40,934	40,014
Intangible assets		**95,598**	89,727	95,799
Employee benefits	12	**10,393**	20,609	15,721
Deferred taxation assets		**2,084**	2,399	2,947
		346,491	343,705	350,035
Current assets				
Inventories		**82,490**	93,260	89,238
Trade and other receivables		**95,233**	101,923	69,418
Cash and cash equivalents		**86,609**	11,169	53,258
Derivative financial instruments		**-**	430	620
		264,332	206,782	212,534
Total assets		**610,823**	550,487	562,569
Liabilities				
Current liabilities				
Trade and other payables		**125,269**	127,025	121,379
Corporation tax		**4,610**	11,635	11,234
Short-term lease liabilities	11	**10,213**	10,175	9,736
Interest-bearing loans and borrowings		**-**	21,301	20,000
Derivative financial instruments		**34**	-	-
		140,126	170,136	162,349
Non-current liabilities				
Long-term lease liabilities	11	**35,404**	32,702	32,224
Interest-bearing loans and borrowings		**139,860**	44,688	51,274
Provisions		**2,649**	6,462	2,649
Deferred taxation liabilities		**17,005**	18,328	18,307
		194,918	102,180	104,454
Total liabilities		**335,044**	272,316	266,803
Net assets		**275,779**	278,171	295,766
Equity				
Capital and reserves attributable to equity shareholders of the Parent				
Share capital		**50,013**	50,017	50,013
Share premium account		**24,482**	24,532	24,482
Own shares		**(1,075)**	(1,406)	(1,391)
Capital redemption reserve		**75,394**	75,394	75,394
Consolidation reserve		**(213,067)**	(213,067)	(213,067)
Hedging reserve		**16**	401	559
Retained earnings		**339,032**	341,274	359,053
Equity attributable to equity shareholders of the Parent		**274,795**	277,145	295,043
Non-controlling interests		**984**	1,026	723
Total equity		**275,779**	278,171	295,766

Condensed Consolidated Cash Flow Statement

for the half year ended 30 June 2020

	Half year ended June		Year ended December
	2020	2019	2019
	£'000	£'000	£'000
Profit before operational restructuring costs and asset impairments	**446**	30,037	57,911
Operational restructuring costs and asset impairments	**(14,624)**	-	-
(Loss) / profit for the financial period	**(14,178)**	30,037	57,911
Income tax expense on continuing operations	**1,186**	7,055	11,942
Income tax credit on operational restructuring costs and asset impairments	**(2,985)**	-	-
(Loss) / profit before tax	**(15,977)**	37,092	69,853
Adjustments for:			
Depreciation	**13,340**	14,740	27,771
Amortisation	**1,295**	1,183	2,423
Net gain on sale of property, plant and equipment	**(37)**	(108)	(306)
Share-based payment expense	**1,244**	1,313	3,024
Financial income and expenses (net)	**1,908**	1,930	3,828
Operating cash flow before changes in working capital	**1,773**	56,150	106,593
(Increase) / decrease in trade and other receivables	**(25,207)**	(21,672)	10,645
Decrease / (increase) in inventories	**7,184**	(8,925)	(5,262)
Increase / (decrease) in trade and other payables	**7,772**	5,069	(10,151)
Operational restructuring costs paid	**(3,522)**	-	(1,109)
Acquisition costs paid	**-**	(375)	(375)
Cash (absorbed by) / generated from operations	**(12,000)**	30,247	100,341
Financial expenses paid	**(1,791)**	(740)	(3,193)
Income tax paid	**(4,631)**	(5,225)	(9,023)
Net cash flow from operating activities	**(18,422)**	24,282	88,125
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**73**	108	523
Financial income received	**6**	1	7
Purchase of property, plant and equipment	**(6,405)**	(8,799)	(20,488)
Purchase of intangible assets	**(1,094)**	(1,266)	(2,420)
Net cash flow from investing activities	**(7,420)**	(9,956)	(22,378)
Cash flows from financing activities			
Proceeds from issue of share capital	**-**	225	225
Payments to acquire own shares	**(2,035)**	(1,470)	(1,470)
Repayment of borrowings	**(483)**	(31,986)	(60,736)
New loans	**67,900**	15,837	49,809
Cash payments in respect of the principal portion of lease liabilities	**(6,411)**	(7,673)	(12,723)
Equity dividends paid	**-**	(23,802)	(33,203)
Net cash flow from financing activities	**58,971**	(48,869)	(58,098)
Net increase / (decrease) in cash and cash equivalents	**33,129**	(34,543)	7,649
Cash and cash equivalents at the beginning of the period	**53,258**	45,709	45,709
Effect of exchange rate fluctuations	**222**	3	(100)
Cash and cash equivalents at the end of the period	**86,609**	11,169	53,258

Condensed Consolidated Statement of Changes in Equity
for the half year ended 30 June 2020

	Attributable to equity holders of the Company									
	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolidation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Current half year										
At 1 January 2020	**50,013**	**24,482**	**(1,391)**	**75,394**	**(213,067)**	**559**	**359,053**	**295,043**	**723**	**295,766**
Total comprehensive income / (expense) for the period										
(Loss) / profit for the financial period attributable to equity shareholders of the Parent	–	–	–	–	–	–	**(14,391)**	**(14,391)**	**213**	**(14,178)**
Other comprehensive income / (expense)										
Foreign currency translation differences	–	–	–	–	–	–	**74**	**74**	**48**	**122**
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	**(1,273)**	–	**(1,273)**	–	**(1,273)**
Net change in fair value of cash flow hedges transferred to the Income Statement	–	–	–	–	–	**619**	–	**619**	–	**619**
Deferred tax arising	–	–	–	–	–	**111**	–	**111**	–	**111**
Defined benefit plan actuarial loss	–	–	–	–	–	–	**(5,205)**	**(5,205)**	–	**(5,205)**
Deferred tax arising	–	–	–	–	–	–	**989**	**989**	–	**989**
Impact of the change in rate of deferred tax on defined benefit plan actuarial loss	–	–	–	–	–	–	**(314)**	**(314)**	–	**(314)**
Total other comprehensive income / (expense)	–	–	–	–	–	**(543)**	**(4,456)**	**(4,999)**	**48**	**(4,951)**
Total comprehensive income / (expense) for the period	–	–	–	–	–	**(543)**	**(18,847)**	**(19,390)**	**261**	**(19,129)**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	–	–	–	–	–	–	**1,244**	**1,244**	–	**1,244**
Deferred tax on share-based payments	–	–	–	–	–	–	**(253)**	**(253)**	–	**(253)**
Corporation tax on share-based payments	–	–	–	–	–	–	**186**	**186**	–	**186**
Dividends to equity shareholders	–	–	–	–	–	–	–	–	–	–
Shares issued	–	–	–	–	–	–	–	–	–	–
Purchase of own shares	–	–	**(2,035)**	–	–	–	–	**(2,035)**	–	**(2,035)**
Disposal of own shares	–	–	**2,351**	–	–	–	**(2,351)**	–	–	–
Total contributions by and distributions to owners	–	–	**316**	–	–	–	**(1,174)**	**(858)**	–	**(858)**
Total transactions with owners of the Company	–	–	**316**	–	–	**(543)**	**(20,021)**	**(20,248)**	**261**	**(19,987)**
At 30 June 2020	**50,013**	**24,482**	**(1,075)**	**75,394**	**(213,067)**	**16**	**339,032**	**274,795**	**984**	**275,779**

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

	Attributable to equity holders of the Company									
	Share capital £'000	Share premium account £'000	Own shares £'000	Capital redemption reserve £'000	Consolidation reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Prior year										
At 1 January 2019	49,998	24,326	(888)	75,394	(213,067)	273	329,585	265,621	1,094	266,715
Effect of initial application of IFRS 16	–	–	–	–	–	–	(1,842)	(1,842)	–	(1,842)
At 1 January 2019 – as restated	49,998	24,326	(888)	75,394	(213,067)	273	327,743	263,779	1,094	264,873
Total comprehensive income / (expense) for the year										
Profit / (loss) for the financial year attributable to equity shareholders of the Parent	–	–	–	–	–	–	58,240	58,240	(329)	57,911
Other comprehensive income / (expense)										
Foreign currency translation differences	–	–	–	–	–	–	123	123	(42)	81
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	231	–	231	–	231
Net change in fair value of cash flow hedges transferred to the Income Statement	–	–	–	–	–	113	–	113	–	113
Deferred tax arising	–	–	–	–	–	(58)	–	(58)	–	(58)
Defined benefit plan actuarial gain	–	–	–	–	–	–	2,847	2,847	–	2,847
Deferred tax arising	–	–	–	–	–	–	(484)	(484)	–	(484)
Total other comprehensive income / (expense)	–	–	–	–	–	286	2,486	2,772	(42)	2,730
Total comprehensive income for the year / (expense)	–	–	–	–	–	286	60,726	61,012	(371)	60,641
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Share-based payments	–	–	–	–	–	–	3,024	3,024	–	3,024
Deferred tax on share-based payments	–	–	–	–	–	–	1,219	1,219	–	1,219
Corporation tax on share-based payments	–	–	–	–	–	–	457	457	–	457
Dividends to equity shareholders	–	–	–	–	–	–	(33,203)	(33,203)	–	(33,203)
Shares issued	15	156	54	–	–	–	–	225	–	225
Purchase of own shares	–	–	(1,470)	–	–	–	–	(1,470)	–	(1,470)
Disposal of own shares	–	–	913	–	–	–	(913)	–	–	–
Total contributions by and distributions to owners	15	156	(503)	–	–	–	(29,416)	(29,748)	–	(29,748)
Total transactions with owners of the Company	15	156	(503)	–	–	286	31,310	31,264	(371)	30,893
At 31 December 2019	50,013	24,482	(1,391)	75,394	(213,067)	559	359,053	295,043	723	295,766

Notes to the Condensed Consolidated Financial Statements

for the half year ended 30 June 2020

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 2020 comprise the Company and its subsidiaries (together referred to as the "Group").

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

The Condensed Consolidated Financial Statements do not constitute statutory financial statements and do not include all the information and disclosures required for full annual financial statements. The Condensed Consolidated Half Year Financial Statements were approved by the Board on 15 September 2020. 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 2019 has been extracted from the Annual Financial Statements, included in the Annual Report 2019, 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 2020 and the comparative period have not been audited. The Auditor has carried out a review of the Half Year Financial Information and its report is set out below.

The Annual Financial Statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. As required by the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority, 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 2019.

The Condensed Consolidated Half Year Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and liabilities for cash settled share-based payments.

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. In preparing these Condensed Consolidated Half Year Financial Statements, 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 2019.

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 14. On 1 May 2020, the Group signed agreements with each of NatWest, Lloyds and HSBC for an additional £30 million, 12 month committed revolving credit facility with each. These additional facilities comprise £90 million and significantly strengthen the Group's headroom. Including these additional facilities, Marshalls now has total bank facilities of £255 million, of which £230 million are committed. In addition, Marshalls plc has been confirmed as being eligible for the COVID Corporate Financing Facility ("CCFF") with an issuer limit of £200 million. The Group has completed the processes and documentation to establish a commercial paper programme under this scheme and is able to access the liquidity available to it under this facility. The Group's on-demand overdraft facility is reviewed on an annual basis and the current arrangements were renewed and signed on 9 September 2020.

In assessing the appropriateness of adopting the going concern basis in the Condensed Consolidated Half Year Financial Statements, the Board reviewed a range of severe downside scenarios to assess the potential impact of COVID-19. Each of the downside scenarios modelled adopted significant sensitivities in relation to revenue, profit and cash flow over a 2 year period. The sensitivities applied to revenue were significant, being up to 70 per cent reductions for extended periods. Each scenario utilised different assumptions as to the immediacy, timing, length and depth of the most severe impact and one scenario covered the impact of a second "W-shaped" dip. To varying extents each scenario included the assumption that trading conditions would start to recover during 2021. The financial modelling revealed that the most sensitive point would be in March 2021 as, at this point, there could have been a full year of reduced trading as a consequence of COVID-19 restrictions which would combine with the natural working capital cycle peak ahead of the quarter 2 sales season. In terms of covenant testing, the December 2020 test date was likely to be most at risk of being breached under the deep downside scenarios. Temporary covenant waivers have been established for the period to 30 June 2021, during which there is an ongoing agreement with each partner bank that net debt (excluding lease liabilities under IFRS 16) will not exceed £200 million. In all the downside scenarios there remain options to extend mitigating actions available, such as further delaying planned capital expenditure.

The Group's performance is dependent on economic and market conditions, the outlook for which is difficult to predict. However, based on current expectations and as consequence of significantly improved trading, the Group's latest cash 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 2020, on a covenant test basis (pre-IFRS 16), the relevant ratios were comfortably achieved and were as follows:

- EBITA:interest charge – 18.1 times (covenant test requirement – to be greater than 2.5 times).
- Net Debt:EBITDA – 1.0 times (covenant test requirement – to be less than 3.0 times).

Net debt:EBITDA on a reported basis is 1.5 times at 30 June, with a continuing objective to be below 1.0 times. After considering the risks associated with COVID-19 and other relevant uncertainties, the Directors believe that the Group is well placed to manage its business risks successfully. The Board considers that the facilities now available to the Group, both from its enhanced bank facilities and its CCFF commercial paper programme, are sufficient to meet significant downside liquidity scenarios over a prolonged period and that there are sufficient unutilised facilities held which mature after 12 months. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Consolidated Half Year Financial Statements.

2 Accounting policies

The Group applied IFRS 16 "*Leases*" with effect from 1 January 2019. The accounting policies have been applied consistently throughout the Group for the purposes of these Condensed Consolidated Half Year Financial Statements and are also set out on the Company's website (www.marshalls.co.uk). Other than in relation to exceptional "operational restructuring costs and asset impairments", 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. Operational restructuring costs and asset impairments have been disclosed separately on the face of the Income Statement due to their scale and exceptional nature and to provide a better understanding of the Group's results. Further details have been included in Note 6. 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 more meaningful comparative information.

Results before operational restructuring costs and asset impairments

Operational restructuring costs and asset impairments have been disclosed separately on the face of the Income Statement due to their scale and exceptional nature and to provide a better understanding of the Group's results. Further details have been included in Note 6.

Pre-IFRS 16 basis

Disclosures required under IFRS are referred to as either on a post-IFRS 16 basis or on a reported basis. Disclosures referred to on a pre-IFRS 16 basis are restated to those that applied before the adoption of IFRS 16 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-IFRS 16 basis is set out below. Both are before operational restructuring costs and asset impairments.

	Pre-IFRS 16 June 2020 £'000	**As reported June 2020 £'000**	Pre-IFRS 16 June 2019 £'000	As reported June 2019 £'000	Pre-IFRS 16 December 2019 £'000	As reported December 2019 £'000
Revenue	**210,473**	**210,473**	280,107	280,107	541,832	541,832
Net operating costs	**(207,690)**	**(206,933)**	(241,673)	(241,085)	(469,252)	(468,151)
Operating profit	**2,783**	**3,540**	38,434	39,022	72,580	73,681
Finance charges (net)	**(1,241)**	**(1,908)**	(1,237)	(1,930)	(2,486)	(3,828)
Profit before tax	**1,542**	**1,632**	37,197	37,092	70,094	69,853
Income tax	**(1,186)**	**(1,186)**	(7,055)	(7,055)	(11,942)	(11,942)
Profit after tax	**356**	**446**	30,142	30,037	58,152	57,911

The Financial metrics are presented on both a reported basis and a pre-IFRS 16 basis. Both are before operational restructuring costs and asset impairments and are as follows:

	Pre-IFRS 16 June 2020	**As reported June 2020**	Pre-IFRS 16 June 2019	As reported June 2019	Pre-IFRS 16 December 2019	As reported December 2019
Profit before tax (£'000)	**1,542**	**1,632**	37,197	37,092	70,094	69,853
EBITDA (£'000)	**11,765**	**18,176**	47,292	54,945	90,115	103,875
EPS (pence)	**0.07**	**0.12**	15.22	15.18	29.48	29.36
Net debt (£'000)	**53,858**	**98,868**	55,629	97,697	18,654	59,976
ROCE (%)	**11.9**	**10.9**	21.4	19.3	23.7	21.4
Net debt:EBITDA	**1.0**	**1.5**	0.6	1.0	0.2	0.6
Gearing (%)	**19.4**	**35.9**	19.8	35.1	6.3	20.3

EBITA and EBITDA

EBITA represents earnings before interest, tax and the amortisation of intangibles. This is a component of the ROCE calculation. EBITDA is calculated by adding back depreciation to EBITA. Both EBITA and EBITDA are disclosed before operational restructuring costs and asset impairments.

	Pre-IFRS 16 June 2020 £'000	**As reported June 2020 £'000**	Pre-IFRS 16 June 2019 £'000	As reported June 2019 £'000	Pre-IFRS 16 December 2019 £'000	As reported December 2019 £'000
EBITDA	**11,765**	**18,176**	47,292	54,945	90,115	103,875
Depreciation	**(7,687)**	**(13,341)**	(7,675)	(14,740)	(15,112)	(27,771)
EBITA	**4,078**	**4,835**	39,617	40,205	75,003	76,104
Amortisation of intangible assets	**(1,295)**	**(1,295)**	(1,183)	(1,183)	(2,423)	(2,423)
Operating profit	**2,783**	**3,540**	38,434	39,022	72,580	73,681

ROCE

Reported ROCE is defined as EBITA divided by shareholders' funds plus net debt. ROCE is disclosed before operational restructuring costs and asset impairments.

	Pre-IFRS 16 June 2020 £'000	**As reported June 2020 £'000**	Pre-IFRS 16 June 2019 £'000	As reported June 2019 £'000	Pre-IFRS 16 December 2019 £'000	As reported December 2019 £'000
EBITA – half year ended 30 June	**4,078**	**4,835**	39,617	40,205	39,617	40,205
EBITA – half year ended 31 December	**35,386**	**35,899**	32,363	32,363	35,386	35,899
EBITA – year ended 30 June	**39,464**	**40,734**	71,980	72,568	75,003	76,104
Shareholders' funds	**277,773**	**275,779**	280,425	278,171	297,850	295,766
Net debt	**53,858**	**98,868**	55,629	97,697	18,654	59,976
	331,631	**374,647**	336,054	375,868	316,504	355,742
Reported ROCE	**11.9%**	**10.9%**	21.4%	19.3%	23.7%	21.4%

Net debt

Net debt comprises cash at bank and in hand, bank loans and leasing liabilities. An analysis of net debt is provided in Note 13.

4. Segmental analysis

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

The Landscape Products reportable segment operates a national manufacturing plan that is structured around a series of production units throughout the UK, in conjunction with a single logistics and distribution operation. A national planning process supports sales to both of the key end markets, namely the UK Domestic and UK Public Sector and Commercial end markets, and the operating assets produce and deliver a range of broadly similar products that are sold into each of these end markets. Within the Landscape Products operating segment, the focus is on the one integrated production, logistics and distribution network supporting both end markets.

Included in "Other" are the Group's Landscape Protection, Mineral Products, Premier Mortars and International operations, which do not currently meet the IFRS 8 reporting requirements. The accounting policies of the Landscape Products operating segment are the same as the Group's accounting policies. Segment profit represents the profit earned without allocation of certain central administration costs that are not capable of allocation. Centrally administered overhead costs that relate directly to the reportable segment are included within the segment's results.

Segment revenues and results

	Half year ended June 2020			Half year ended June 2019			Year ended December 2019		
	Landscape Products £'000	**Other £'000**	**Total £'000**	Landscape Products* £'000	Other* £'000	Total £'000	Landscape Products* £'000	Other* £'000	Total £'000
External revenue	**165,435**	**46,344**	**211,779**	231,386	50,788	282,174	448,972	96,965	545,937
Inter-segment revenue	**(14)**	**(1,292)**	**(1,306)**	(143)	(1,924)	(2,067)	(362)	(3,743)	(4,105)
Total revenue	**165,421**	**45,052**	**210,473**	231,243	48,864	280,107	448,610	93,222	541,832
Segment operating profit	**8,333**	**(441)**	**7,892**	40,415	1,574	41,989	75,013	3,369	78,382
Operational restructuring costs and asset impairments	**-**	**-**	**(17,609)**	-	-	-	-	-	-
Unallocated administration costs			**(4,352)**			(2,967)			(4,701)
Operating (loss) / profit			**(14,069)**			39,022			73,681
Finance charges (net)			**(1,908)**			(1,930)			(3,828)
(Loss) / profit before tax			**(15,977)**			37,092			69,853
Taxation			**1,799**			(7,055)			(11,942)
(Loss) / profit after tax			**(14,178)**			30,037			57,911

* Following a change to the way in which information is reported internally, the comparative figures have been restated to ensure consistent classification with the analysis reported for the half year ended 30 June 2020.

Segment assets

	June		December
	2020 £'000	2019* £'000	2019* £'000
Fixed assets, right-of-use assets and inventory:			
Landscape Products	**248,541**	248,997	249,764
Other	**72,365**	75,233	75,042
Total segment fixed assets, right-of-use assets and inventory	**320,906**	324,230	324,806
Unallocated assets	**289,917**	226,257	237,763
Consolidated total assets	**610,823**	550,487	562,569

* Following a change to the way in which information is reported internally, the comparative figures have been restated to ensure consistent classification with the analysis reported for the half year ended 30 June 2020.

For the purpose of monitoring segment performance and allocating performance between segments, the Group's CODM monitors the tangible fixed assets, 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 (pre-IFRS 16)			Fixed asset and right-of-use asset additions		
	Half year ended June		Year ended	Half year ended June		Year ended
	2020	2019*	December 2019*	**2020**	2019*	December 2019
	£'000	£'000	£'000	**£'000**	£'000	£'000
Landscape Products	**11,731**	12,829	23,133	**14,698**	10,379	24,550
Other	**2,905**	3,094	7,061	**969**	1,399	5,027
	14,636	15,923	30,194	**15,667**	11,778	29,577

* Following a change to the way in which information is reported internally, the comparative figures have been restated to ensure consistent classification with the analysis reported for the half year ended 30 June 2020.

Geographical destination of revenue

	Half year ended June		Year ended December
	2020	2019	2019
	£'000	£'000	£'000
United Kingdom	**192,833**	264,724	514,905
Rest of the World	**17,640**	15,383	26,927
	210,473	280,107	541,832

5. Net operating costs

	Half year ended June		Year ended December
	2020	2019	2019
	£'000	£'000	£'000
Raw materials and consumables	**94,604**	98,141	198,124
Changes in inventories of finished goods and work in progress	**(7,494)**	5,317	847
Personnel costs	**52,108**	64,185	128,221
Depreciation of property, plant and equipment	**7,687**	7,675	14,903
Depreciation of right-of-use assets	**5,654**	7,065	12,868
Amortisation of intangible assets	**1,295**	1,183	2,423
Own work capitalised	**(967)**	(1,368)	(4,216)
Other operating costs	**54,601**	60,135	116,135
Operational restructuring costs	**-**	-	1,396
Operating costs	**207,488**	242,333	470,701
Other operating income	**(518)**	(1,140)	(2,244)
Net gain on asset and property disposals	**(37)**	(108)	(306)
Net operating costs before operational restructuring costs and asset impairments	**206,933**	241,085	468,151
Operational restructuring costs and asset impairments (Note 6)	**17,609**	-	-
Net operating costs	**224,542**	241,085	468,151

6. Operational restructuring costs and asset impairments

	Half year ended June		Year ended December
	2020	2019	2019
	£'000	£'000	£'000
Works closure costs	**3,257**	-	-
Redundancy	**7,657**	-	-
Asset impairments	**6,695**	-	-
	17,609	-	-

The Board has determined that certain charges to the Condensed Consolidated Half Year Report should be separately identified for better understanding of the Group's results for the half year ended 30 June 2020.

Operational restructuring costs reflect the implementation of a wide range of measures aimed at reducing costs and conserving cash. These changes cover all parts the business, including selective site closures, changes in shift patterns and changes to the size and structure of support functions. These initiatives reflect the deterioration in current market conditions, as a consequence of COVID-19, and the challenging medium-term outlook. Asset impairments include the write down of plant and machinery and other assets as a consequence of specific works closures.

7. Financial expenses

	Half year ended June 2020 £'000	Half year ended June 2019 £'000	Year ended December 2019 £'000
Financial expenses			
Net interest expense on defined benefit pension scheme	**73**	447	542
Interest expense on bank loans, overdrafts and loan notes	**1,174**	791	1,951
Interest expense on lease liabilities	**667**	693	1,342
	1,914	1,931	3,835

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

8. Income tax expense

	Before operational restructuring costs and asset impairments	Operational restructuring costs and asset impairments	Total		Year ended December
	Half year ended June				
	2020 £'000	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Current tax expense					
Current year	**940**	**(2,225)**	**(1,285)**	8,067	13,214
Adjustments for prior years	**(595)**	**-**	**(595)**	(291)	(1,577)
	345	**(2,225)**	**(1,880)**	7,776	11,637
Deferred taxation expense					
Origination and reversal of temporary differences:					
Current year	**267**	**(760)**	**(493)**	(469)	556
Adjustments for prior years	**574**	**-**	**574**	(252)	(251)
Total tax expense	1,186	(2,985)	(1,799)	7,055	11,942

	Half year ended June 2020 %	**Half year ended June 2020 £'000**	Half year ended June 2019 %	Half year ended June 2019 £'000	Year ended December 2019 %	Year ended December 2019 £'000
Reconciliation of effective tax rate						
(Loss) / profit before tax	**100.0**	**(15,977)**	100.0	37,092	100.0	69,853
Tax using domestic corporation tax rate	**19.0**	**(3,036)**	19.0	7,047	19.0	13,272
Impact of deprecation in excess of capital allowances	**(0.8)**	**131**	2.2	809	(0.7)	(523)
Short-term timing differences	**(4.0)**	**645**	0.9	308	0.6	386
Adjustment to tax charge in prior period	**3.7**	**(595)**	(0.8)	(291)	(2.3)	(1,577)
Expenses not deductible for tax purposes	**(6.1)**	**975**	(0.3)	(97)	0.1	79
Corporation tax charge for the year	**11.8**	**(1,880)**	21.0	7,776	16.7	11,637
Impact of capital allowances in excess of depreciation	**17.5**	**(2,795)**	(0.4)	(138)	0.9	648
Short-term timing differences	**(5.1)**	**815**	(0.5)	(176)	-	-
Pension scheme movements	**0.5**	**(76)**	(0.2)	(84)	(0.2)	(109)
Other items	**(0.1)**	**9**	0.4	151	0.4	261
Adjustment to tax charge in prior period	**(3.6)**	**574**	(0.7)	(252)	(0.4)	(251)
Impact of the change in the rate of corporation tax on deferred taxation	**(9.7)**	**1,554**	(0.6)	(222)	(0.3)	(244)
Total tax (credit) / charge for the year	**11.3**	**(1,799)**	19.0	7,055	17.1	11,942

The net amount of deferred taxation credited to the Consolidated Statement of Comprehensive Income in the period was £1,100,000 (30 June 2019: £1,316,000 debit; 31 December 2019: £542,000 debit).

The 2019 Budget announced that the UK corporation tax rate will remain at 19 per cent from 2020 rather than reduce to 17 per cent, which had previously been confirmed. This change was substantively enacted on 17 March 2020 and, consequently, the deferred taxation liability at 30 June 2020 has been calculated at 19 per cent, which is the rate at which the deferred tax is expected to unwind in the future using rates enacted at the balance sheet date. This rate change has given rise to an increase to the deferred tax charge of £1.6 million.

9. Earnings per share

Basic loss per share from total operations of 7.25 pence (30 June 2019: 15.18 pence earnings; 31 December 2019: 29.36 pence earnings) per share is calculated by dividing the loss attributable to Ordinary Shareholders for the financial period after adjusting for non-controlling interests of £14,391,000 (30 June 2019: £30,100,000 profit; 31 December 2019: £58,240,000 profit) by the weighted average number of shares in issue during the period of 198,559,008 (30 June 2019: 198,330,626; 31 December 2019: 198,346,723).

Basic earnings per share before operational restructuring costs and asset impairments of 0.12 pence (30 June 2019: 15.18 pence; 31 December 2019: 29.36 pence) per share is calculated by dividing the profit attributable to Ordinary Shareholders for the financial period after adjusting for non-controlling interests of £233,000 (30 June 2019: £30,100,000; 31 December 2019: £58,240,000) by the weighted average number of shares in issue during the period of 198,559,008 (30 June 2019: 198,330,626; 31 December 2019: 198,346,723).

Profit attributable to Ordinary Shareholders

	Half year ended June		Year ended December
	2020	2019	2019
	£'000	£'000	£'000
Profit before operational restructuring costs and asset impairments	**446**	30,037	57,911
Operational restructuring costs and asset impairments	**(14,624)**	-	-
(Loss) / profit for the financial period	**(14,178)**	30,037	57,911
Result attributable to non-controlling interests	**(213)**	63	329
(Loss) / profit attributable to Ordinary Shareholders	**(14,391)**	30,100	58,240

Weighted average number of Ordinary Shares

	Half year ended June		Year ended December
	2020	2019	2019
	Number	Number	Number
Number of issued Ordinary Shares	**200,052,157**	200,044,482	200,052,157
Effect of shares transferred into employee benefit trust	**(1,493,149)**	(1,713,856)	(1,705,434)
Weighted average number of Ordinary Shares	**198,559,008**	198,330,626	198,346,723

For the half year ended 30 June 2020, the potential Ordinary Shares set out below are considered to be anti-dilutive to the total earnings per share calculation.

Diluted earnings per share before operational restructuring costs and asset impairments of 0.12 pence (30 June 2019: 15.07 pence; 31 December 2019: 29.14 pence) per share is calculated by dividing the profit for the financial period, after adjusting for non-controlling interests of £233,000 (30 June 2019: £30,100,000; 31 December 2019: £58,240,000), by the weighted average number of shares in issue during the period of 198,559,008 (30 June 2019: 198,330,626; 31 December 2019: 198,346,723), plus potentially dilutive shares of 1,508,427 (30 June 2019: 1,395,396; 31 December 2019: 1,496,678), which totals 200,067,435 (30 June 2019: 199,726,022; 31 December 2019: 199,843,401).

Weighted average number of Ordinary Shares (diluted)

	Half year ended June		Year ended December
	2020	2019	2019
	Number	Number	Number
Weighted average number of Ordinary Shares	**198,559,008**	198,330,626	198,346,723
Dilutive shares	**1,508,427**	1,395,396	1,496,678
Weighted average number of Ordinary Shares (diluted)	**200,067,435**	199,726,022	199,843,401

10. Dividends

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

		Half year ended June		Year ended December
	Pence per qualifying share	**2020** **£'000**	2019 £'000	2019 £'000
2020 interim	-	**-**	-	-
2019 supplementary	-	**-**	-	-
2019 final	-	**-**	-	-
2019 interim	4.70	**-**	9,323	9,323
		-	9,323	9,323

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

		Half year ended June		Year ended December
	Pence per qualifying share	**2020** **£'000**	2019 £'000	2019 £'000
2019 supplementary	-	**-**	-	-
2019 final	-	**-**	-	-
2019 interim	4.70	**-**	-	9,323
2018 supplementary	4.00	**-**	7,934	7,930
2018 final	8.00	**-**	15,868	15,860
		-	23,802	33,113

The Board has announced the suspension of the previously recommended 2019 final dividend and supplementary dividend as a result of the COVID-19 crisis.

11. Lease liabilities

	June		December
	2020	2019	2019
	£	£	£
Analysed as:			
Amounts due for settlement within 12 months (shown under current liabilities)	**10,213**	10,175	9,736
Amounts due for settlement after 12 months	**35,404**	32,702	32,224
	45,617	42,877	41,960

The Group does not face a significant liquidity risk with regard to its lease liabilities. The interest expense on lease liabilities amounted to £667,000 for the half year ended 30 June 2020. 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 2020, the average effective borrowing rate was 2.7 per cent. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The vast majority of lease obligations are denominated in Sterling.

12. Employee benefits

The Company sponsors a funded defined benefit pension scheme in the UK (the "Scheme"). The Scheme is administered within a trust which is legally separate from the Company. The Trustee Board is appointed by both the Company and the Scheme's membership and acts in the interests of the Scheme and all relevant stakeholders, including the members and the Company. The Trustee is also responsible for the investment of the Scheme's assets.

The defined benefit section of the Scheme provides pension and lump sums to members on retirement and to dependants on death. The defined benefit section closed to future accrual of benefits on 30 June 2006 with then active members becoming entitled to a deferred pension. Members no longer pay contributions to the defined benefit section. Company contributions to the defined benefit section after this date are used to fund any deficit in the Scheme and the expenses associated with administering the Scheme as determined by regular actuarial valuations.

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

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

The defined benefit section of the Scheme is subject to regular actuarial valuations, which are usually carried out every 3 years. The next actuarial valuation is expected to be carried out with an effective date of 5 April 2021. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures which are determined using best estimate assumptions.

A formal actuarial valuation was carried out as at 5 April 2018. The results of that valuation have been projected to 30 June 2020 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		December
	2020	2019	2019
	£'000	£'000	£'000
Present value of Scheme liabilities	**(388,391)**	(344,178)	(353,136)
Fair value of Scheme assets	**398,784**	364,787	368,857
Net amount recognised (before any adjustment for deferred tax)	**10,393**	20,609	15,721

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 December
	2020	2019	2019
	£'000	£'000	£'000
Service cost:			
Net interest expense recognised in the Consolidated Income Statement	**123**	497	642
Remeasurements of the net liability:			
Return on Scheme assets (excluding amount included in interest expense)	**(32,494)**	(24,947)	(33,362)
Loss arising from changes in financial assumptions	**36,287**	24,140	38,367
Loss / (gain) arising from changes in demographic assumptions	**1,412**	(11,948)	(13,017)
Experience loss	**-**	5,165	5,165
Debit / (credit) recorded in other comprehensive income	**5,205**	(7,590)	(2,847)
Total defined benefit debit / (credit)	**5,328**	(7,093)	(2,205)

The principal actuarial assumptions used were:

	June		December
	2020	2019	2019
Liability discount rate	**1.55%**	2.35%	2.10%
Inflation assumption – RPI	**2.75%**	3.15%	2.95%
Inflation assumption – CPI	**2.05%**	2.15%	2.05%
Rate of increase in salaries	**n/a**	n/a	n/a
Revaluation of deferred pensions	**2.10%**	2.15%	2.10%
Increases for pensions in payment:			
CPI pension increases (maximum 5% per annum)	**2.10%**	2.15%	2.10%
CPI pension increases (maximum 5% per annum, minimum 3% per annum)	**3.20%**	3.20%	3.20%
CPI pension increases (maximum 3% per annum)	**1.90%**	1.95%	1.90%

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 CMI_2019 1.0%**	Year of birth CMI_2018 1.0%	Year of birth CMI_2018 1.0%
Mortality assumption – after retirement (females)	**S2PXA tables**	S2PXA tables	S2PXA tables
Loading	**110%**	110%	110%
Projection basis	**Year of birth CMI_2019 1.0%**	Year of birth CMI_2018 1.0%	Year of birth CMI_2018 1.0%
Future expected lifetime of current pensioner at age 65:			
Male aged 65 at year end	**85.7**	85.6	85.6
Female aged 65 at year end	**87.7**	87.5	87.5
Future expected lifetime of future pensioner at age 65:			
Male aged 45 at year end	**86.7**	86.6	86.6
Female aged 45 at year end	**88.9**	88.7	88.7

13. Analysis of net debt

	1 January 2020 £'000	Cash flow £'000	New leases £'000	Other changes(i) £'000	**30 June 2020 £'000**
Cash at bank and in hand	53,258	33,129	-	222	**86,609**
Debt due within 1 year	(20,000)	-	-	20,000	**-**
Debt due after 1 year	(51,274)	(67,417)	-	(21,169)	**(139,860)**
Lease liabilities	(41,960)	6,411	(10,068)	-	**(45,617)**
	(59,976)	(27,877)	(10,068)	(947)	**(98,868)**

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

Reconciliation of net cash flow to movement in net debt

	Half year ended June		Year ended December
	2020 £'000	2019 £'000	2019 £'000
Net increase in cash and cash equivalents	**33,129**	(34,543)	7,649
Leases recognised on adoption of IFRS 16	**-**	(47,277)	(45,579)
Cash (inflow) / outflow from (increase) / decrease in bank borrowings	**(67,417)**	16,149	10,927
Cash outflow from lease repayments	**6,411**	7,673	12,723
New leases entered into	**(10,068)**	(2,332)	(8,163)
Effect of exchange rate fluctuations	**(947)**	66	(100)
Movement in net debt in the period	**(38,892)**	(60,264)	(22,543)
Net debt at the beginning of the period	**(59,976)**	(37,433)	(37,433)
Net debt at the end of the period	**(98,868)**	(97,697)	(59,976)

14. Borrowing facilities

The total bank borrowing facilities at 30 June 2020 amounted to £255.0 million (30 June 2019: £150.0 million; 31 December 2019: £155.0 million), of which £115.1 million (30 June 2019: £84.0 million; 31 December 2019: £83.7 million) remained unutilised.

The undrawn facilities available at 30 June 2020, in respect of which all conditions precedent had been met, were as follows:

	June		December
	2020 £'000	2019 £'000	2019 £'000
Committed:			
Expiring in more than 5 years	**-**	25,000	-
Expiring in more than 2 years but not more than 5 years	**140**	34,011	68,726
Expiring in 1 year or less	**90,000**	-	-
Uncommitted:			
Expiring in 1 year or less	**25,000**	25,000	15,000
	115,140	84,011	83,726

On 9 September 2020, the Group renewed its short-term working capital facilities of £25.0 million.

On 1 May 2020, the Group signed agreements with each of NatWest, Lloyds and HSBC for an additional £30 million, 12 month committed revolving credit facility with each. These additional facilities comprise £90 million and significantly strengthen the Group's headroom. Including these additional facilities, Marshalls now has total bank facilities of £255 million, of which £230 million are committed. In addition, Marshalls plc has been confirmed as being eligible for the COVID Corporate Financing Facility ("CCFF") with an issuer limit of £200 million. The Group has completed the processes and documentation to establish a commercial paper programme under this scheme and is able to access the liquidity available to it under this facility. The Group's committed bank facilities are all revolving credit facilities with interest charged at variable rates based on LIBOR. The Group's bank facilities continue to be aligned with the current strategy to ensure that headroom against available facilities remains at appropriate levels. On 9 September 2020, the Group signed an agreement with HSBC to extend its existing 4 year, £35 million facility for a further year until August 2024. The maturity profile of borrowing facilities is structured to provide balanced, committed and phased medium-term debt.

Following the signing of new bank facilities on 1 May 2020, the current facilities are set out as follows:

	Facility £'000	Cumulative facility £'000
Committed facilities:		
Q3: 2024	35,000	35,000
Q1: 2024	25,000	60,000
Q3: 2023	20,000	80,000
Q2: 2023	20,000	100,000
Q4: 2022	20,000	120,000
Q3: 2021	20,000	140,000
Q2: 2021	90,000	230,000
On-demand facilities:		
Available all year	25,000	255,000

15. 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 2020 is shown below:

	June 2020		June 2019		December 2019	
	Book amount £'000	**Fair value £'000**	Book amount £'000	Fair value £'000	Book amount £'000	Fair value £'000
Trade and other receivables	**86,527**	**86,527**	90,387	90,387	60,162	60,162
Cash and cash equivalents	**86,609**	**86,609**	11,169	11,169	53,258	53,258
Bank loans	**(139,860)**	**(133,859)**	(65,989)	(61,114)	(71,274)	(69,936)
Lease liabilities	**(45,617)**	**(55,817)**	(42,877)	(42,877)	(41,960)	(52,851)
Trade and other payables	**(100,700)**	**(100,700)**	(114,441)	(114,441)	(108,621)	(108,621)
Interest rate swaps, forward contracts and fuel hedges	**(34)**	**(34)**	430	430	620	620
Contingent consideration	**(2,420)**	**(2,420)**	(2,420)	(2,420)	(2,420)	(2,420)
Financial instrument assets and liabilities – net	**(115,495)**		(123,741)		(110,235)	
Non-financial instrument assets and liabilities – net	**391,274**		401,912		406,001	
	275,779		278,171		295,766	

Estimation of fair values

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

(a) Derivatives

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

(b) Interest-bearing loans and borrowings

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

(c) Lease liabilities

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

(d) Trade and other receivables / payables

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

(e) Contingent consideration

Contingent consideration has been calculated based on the Group's expectation of what it will pay in relation to the post-acquisition performance of the acquired entities.

(f) Fair value hierarchy

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

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
30 June 2020				
Derivative financial liabilities	**-**	**(34)**	**-**	**(34)**
30 June 2019				
Derivative financial assets	-	430	-	430
31 December 2019				

Derivative financial assets	-	620	-	620

16. Principal risks and uncertainties

Risk management is the responsibility of the Marshalls plc 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 are put in place to mitigate exposure to risks.

The impact of the COVID-19 pandemic has triggered the need to consider the implications of the virus for the business and its impact on the underlying principal risks, which are set out below. These are being assessed on an ongoing basis and the following headings summarise the key aspects for the Group. In each case, detailed, dynamic plans have been introduced which involve specific risk assessments and carefully designed new operating procedures. These are being routinely reassessed. Mitigating controls have been introduced as appropriate and additional scenario planning has been undertaken.

- Health and safety – to ensure the safety and wellbeing of all employees and other stakeholders. The Group has used frequent and consistent messaging with mental and physical health prioritised. For all employees, social distancing and health and safety procedures have been instigated in line with, and often exceeding, recommended guidelines.
- Significantly reduced sales – to manage the short-term impact on the business. The Group has focused on maximising efficiency and operational flexibility in order to ensure that the vehicle fleet can continue to operate safely and meet customer demand.
- Liquidity – to ensure the adequacy and security of bank facilities. New bank facilities have been arranged and covenant support has been received from our partner banks in order to maintain comfortable headroom against severe downside scenarios.
- Information technology and cyber security – to ensure the continuity of business during the COVID-19 restrictions. Practical support and guidance, together with additional cyber security training has been provided to facilitate home working.
- Control environment – to ensure the maintenance of key operational controls during the COVID-19 restrictions. Key financial and operational controls have not been compromised during this period as a consequence of working from home. In many cases, additional controls have been introduced. A recent internal audit project has confirmed that control integrity has been maintained in the period to 30 June 2020.
- Return to "business as usual" – to ensure the effective and safe transition process for employees and stakeholders. Detailed plans have been put in place to ensure that employees can return to work safely. This has included the extension of flexible working patterns.
- Medium-term strategy – to ensure the continued alignment of the business model to meet expected medium-term demand. The strategy has built-in flexibility so that the business can respond to changing external circumstances and plans can be scaled back or accelerated as required.

Other principal risks and uncertainties that could impact the Group for the remainder of the current financial year are those detailed on pages 24 to 29 of the 2019 Annual Report. These cover the strategic, financial and operational risks and have not changed during the period.

Strategic risks include those relating to the ongoing Government policy in relation to COVID-19, general economic conditions, the actions of customers, suppliers and competitors, and also weather conditions. Cyber security risk within the wider market is also an increasing risk for the Group and 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 equities and increases in the longevity of members. The other main financial risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk.

External operational risks other than COVID-19 include the weather, political and economic conditions, the potential impact of Brexit, the effect of legislation or other regulatory actions, the actions of competitors, raw material prices and threats from cyber security 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 adopted by the European Union; and
- the Half Year Management Report includes a fair review of the information required by:
  - (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the half year ended 30 June 2020 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 2020 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 2020 were as follows:

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

The responsibilities of the Directors during their period of service were as set out on pages 42 and 43 of the 2019 Annual Report.

By order of the Board

Shiv Sibal

Group Company Secretary

15 September 2020

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

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 2020 which comprises the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related Notes 1 to 16. We have read the other information contained in the Half Year Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of Financial Statements. This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Half Year Financial Report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Year Financial Report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. As disclosed in Note 1, the Annual Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of Financial Statements included in this Half Year Financial Report has been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the Half Year Financial Report for the 6 months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
15 September 2020

Shareholder Information

Financial calendar

Half year results for the year ending December 2020	Announced 15 September 2020
Results for the year ending December 2020	Announcement March 2021
Report and accounts for the year ending December 2020	April 2021
Annual General Meeting	May 2021
Final dividend for the year ending December 2020	Payable July 2021

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.