Embargoed until 7.00am on Thursday 11 March 2021

Marshalls

Strong recovery – positioned well for sustainable growth

Marshalls plc, the specialist Landscape Products group, announces its full year results for the year ended 31 December 2020.

Financial Highlights	Year ended 31 December 2020	Year ended 31 December 2019
Results before operational restructuring costs and asset impairments[1]		
Revenue	£469.5m	£541.8m
EBITDA	£57.6m	£103.9m
Adjusted operating profit	£27.2m	£73.7m
Profit before tax	£22.5m	£69.9m
Basic EPS	8.60p	29.36p
Recommended final dividend	4.30p	-
ROCE	8.2%	21.4%
Net debt	£75.6m	£60.0m
Net debt – pre-IFRS 16	£26.9m	£18.7m
Adjusted operating profit	£27.2m	£73.7m
Operational restructuring costs and asset impairments	£(17.8)m	-
Statutory operating profit	£9.4m	£73.7m
Statutory results		
Statutory operating profit	£9.4m	£73.7m
Profit before tax	£4.7m	£69.9m
Basic EPS	1.19p	29.36p

Note:
1. Alternative performance measures are used consistently throughout this Preliminary 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 2.

Operational highlights
- Priority given to health and safety throughout the COVID-19 crisis
- Trading has started strongly in 2021 - at the end of February, sales are up 7% and orders are up 12% compared to same period in 2020
- Focus on servicing our customers
- Operational restructuring exercise completed in H1 2020 – increased manufacturing efficiency and operational flexibility, with fixed costs reduced by £12 million per annum
- Maintained focus on innovation, ESG priorities, sales opportunities and sustainable growth over the medium term
- Capital investment of £30 million planned for 2021

Financial highlights
- Progressive growth in sales over the second half of 2020 – sales in quarter 4 ahead of prior year
- Re-instatement of dividends – final dividend of 4.30 pence recommended
- Full year revenue of £469.5 million (2019: £541.8 million)
- Strong growth in Domestic sales – growth of 9 per cent in H2 2020
- Increase in International sales of 16 per cent
- Strong balance sheet and a flexible capital structure
- Full repayment of all Government Coronavirus assistance (furlough and deferred VAT)

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

"Trading has started strongly in 2021. At the end of February, sales are up 7 per cent and orders are up 12 per cent compared to same period in 2020. The CPA's winter base case scenario predicts an increase in UK market volumes of 14.0 per cent in 2021 and 4.9 per cent in 2022. Despite wider market uncertainty, the underlying indicators in our main growth markets of New Build Housing, Road, Rail and Water Management remain positive.

Although market demand remains uncertain, we remain focused on developing future growth opportunities and delivering the strategic objectives in our 5 year Strategy. Our strategy continues to be underpinned by strong market positions, focused investment plans and an established brand. Marshalls' liquidity is strong and will support our investment priorities going forward.

Encouraged by the strong trading performance, the Board is raising its expectations for 2021."

There will be a video webcast for analysts and investors today at 09:00am. 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/6022b2aca9190e2d3caa6496. There will also be a telephone dial in facility available Tel: +44 (0)330 336 9125 - Access Code: 9971592.

Certain information contained in this announcement would have constituted inside information (as defined in the Market Abuse Regulation) prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under those Regulations.

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Group results

The positive actions taken by the Group in response to the COVID-19 pandemic have ensured the Group's much improved performance in the second half of the year, which has also seen sales growth at higher rates than was initially expected. We have prioritised the safety and well-being of our employees and customers and by maintaining robust health and safety procedures we have ensured that we could continue operating and delivering to our customers safely.

Revenue in the second half of the year improved strongly and was close to the comparative period in 2019. Better than expected trading in the final months of the year has enabled us to repay all the furlough monies (£9.4 million) and deferred VAT (£11.3 million) and still report a low year end net debt figure of £26.9 million, on a pre-IFRS 16 basis. We continue to maintain a strong balance sheet, supported by a flexible capital structure, and we maintain significant headroom against our bank facilities.

Group revenue for the year ended 31 December 2020 was £469.5 million (2019: £541.8 million), which represents a decrease of 13 per cent. This compares with a decrease in sales of 25 per cent in the first half of the year.

Sales in the Domestic end market were up 9 per cent in the six months ended 31 December 2020, compared with the same period last year, which compares with a decrease of 25 per cent in the first half of the year. For the full year, revenue was down 9 per cent compared with 2019 and for the year ended 31 December 2020 Domestic sales represented 27 per cent of Group revenue. The survey of domestic installers at the end of February 2021 revealed order books of 12.2 weeks (2020: 10.7 weeks) which compared with 12.8 weeks at the end of October 2020. There has been a strong demand for DIY projects with consumers spending more time at home and choosing to invest in home and garden projects. We have seen a trend towards the "Don't Move, Improve" part of the Domestic market. Our strategy continues to be to drive more sales through the Marshalls Register of approved domestic installers which comprises approximately 1,900 teams. The objectives continue to be to develop the customer experience by digitalisation, including the use of visualisation tools, and by a commitment to innovation.

Sales in the Public Sector and Commercial end market were down 6 per cent in the six months ended 31 December 2020, compared with 2019, which compares with a decrease of 28 per cent in the first half of the year. For the full year, revenue was down 17 per cent compared with 2019 and for the year ended 31 December 2020 represented 66 per cent of Group sales. We remain focused on those market areas where future demand is considered to be greatest including New Build Housing, Road, Rail and Water Management. Digital technology is increasingly used to showcase new concepts and designs and to facilitate the selection and specification of our ranges.

International revenue grew by 16 per cent during 2020, supported by consistently strong sales from Marshalls NV in Belgium, and now represents approximately 7 per cent of Group sales. We have continued to develop Marshalls NV's operating model and improve efficiency. In 2020 the business became profitable for the first time and there are further opportunities for improvement.

As reported at the Half Year, the Group undertook a restructuring programme which cost £17.8 million and this has been charged to the Income Statement. No further costs have been incurred in the second half of the year.

EBITDA was £57.6 million (2019: £103.9 million) before operational restructuring costs and asset impairments of £17.8 million. Operating profit before operational restructuring costs and asset impairments was £27.2 million (2019: £73.7 million). After operational restructuring costs and asset impairments the reported profit before tax for the period was £4.7 million (2019: £69.9 million). Basic earnings per share, before operational restructuring costs and asset impairments, was 8.60 pence (2019: 29.36 pence) per share. Reported earnings per share was 1.19 pence per share.

Net financial expenses were £4.7 million (2019: £3.8 million), including £1.6 million (2019: £1.3 million) of IFRS 16 lease interest. On a reported basis interest was covered 5.8 times (2019: 19.2 times), before operational restructuring costs and asset impairments. Interest charges on bank loans totalled £3.0 million (2019: £1.9 million) and, including scheme administration costs, there was an IAS 19 notional interest charge of £0.2 million (2019: £0.6 million) in relation to the Group's Pension Scheme. The IAS 19 notional interest includes interest on obligations under the defined benefit section of the Marshalls plc Pension Scheme, net of the expected return on Scheme assets.

The effective tax rate was 23.1 per cent (2019: 17.1 per cent), before operational restructuring costs and asset impairments. 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 31 December 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. This has given rise to the increase in the effective tax rate. The Group has paid £4.6 million (2019: £9.0 million) of corporation tax during the year. A deferred tax credit of £2.1 million in relation to the actuarial loss arising on the defined benefit Pension Scheme in the year has been taken to the Consolidated Statement of Comprehensive Income.

For the seventh year running, Marshalls has been awarded the Fair Tax Mark, which recognises social responsibility and transparency in a company's tax affairs. The Group's tax approach has long been closely aligned with the Fair Tax Mark's objectives and this is supported by the Group's tax strategy and fully transparent tax disclosures. Taking into account not only corporation tax but also of PAYE and NI paid on our employee wages, aggregate levy, VAT, fuel duty and business rates Marshalls has funded total taxation to the UK economy of £69 million in the year ended 31 December 2020.

Operational initiatives

COVID-19 has caused operational efficiency challenges for the whole construction products sector. The growth in sales in quarter three was greater than expected and, combined with lower stocks, this gave rise to significant operational challenges, especially in quarter four. We have experienced strong order books but, in line with the rest of the construction sector, we have been faced with longer lead times, and the operational challenge of balancing supply with demand. The Group's national network of concrete manufacturing sites and quarries has continued to provide an advantage in this regard and our flexible operating framework has enabled us to rebalance supply and demand across the network.

Despite the challenges of 2020, we are driving cost efficiency improvements throughout the business and our objective continues to be to mitigate inflation on an ongoing basis to ensure sustainable business continuity and cost control. The Group's E-commerce trading business model was launched in April 2020 and has delivered approximately £5 million of sales during the year. E-commerce revenue will complement existing sales channels and is expected to double during 2021. A key aspect of the model is that it supports and respects our merchant customers.

During the year ended 31 December 2020, capital expenditure was restricted to only essential items and amounted to £14.7 million (2019: £22.9 million). The Group is now committed to increase organic investment significantly over the medium term and further capital expenditure of £30 million is planned for 2021. We continue to generate a good pipeline of capital investment projects that will drive future organic growth.

Our Maltby site was mothballed in 2012 but has continued to be maintained. We have invested in new plant during 2020 and the site was re-opened at the start of 2021 to manufacture the Marshalls concrete brick, which will allow us to grow our sales into the housebuilding sector. The site retains flexibility to produce our full range of concrete block paving products.

Reflecting our increased market confidence, in 2021 we will commence construction of a flagship dual block plant at our St. Ives site, which will be the first facility of this nature in the UK. The planned investment over the next three years will be around £20 million and the project will significantly increase capacity, improve efficiency, enable multiple secondary finishing and facilitate the launch of new products.

There will be a continued focus on innovation and new product development across all parts of the Group. Research and development expenditure of £5 million is planned for 2021. The development pipeline continues to be strong and the Group is committed to providing sustainable, high performance product solutions.

Organic growth will continue to be supported by targeted acquisitions. We will continue to focus on bolt-on acquisition targets in our key growth areas of Water Management and New Build Housing.

Marshalls 5 year Strategy and ESG agenda

We remain confident that our strategy is the right one for Marshalls, as it has in-built flexibility such that the pace of delivery can be adjusted for external and economic uncertainties. The Group's long term strategy continues to focus on organic investment to drive growth and is supported by an increasingly strong ESG agenda.

We aim to give full consideration to the long term impact of all business operations, which means that all our products and services need to be ethically sourced and sustainable. Marshalls continues to support the UN sustainable development goals and we maintain a detailed framework and comprehensive policies covering the environment, human rights, labour and governance (anti-corruption). We are pleased that for the seventh consecutive year Marshalls has been awarded Fair Tax Mark accreditation. This recognises social responsibility and transparency in our tax affairs.

We are focused on playing our part in addressing the risk of climate change and the protection of the environment. The Group continues to be committed to decarbonisation and we have aligned all greenhouse gas emission reduction targets to be well below 2ºC emissions scenarios. During 2020, we became the first company in our sector to have emission reduction targets approved by the Science Based Targets initiative as being consistent with levels required to meet the goals of the Paris Agreement.

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. These objectives drive both long-term sustainable growth and shareholder returns.

Capital allocation

The impact of COVID-19 during 2020 has illustrated the importance and robustness of the Group's Capital Allocation Policy. The Group's capital allocation strategy is to maintain a strong balance sheet and flexible capital structure. The key elements of the strategy are:

- To prioritise organic capital investment, supported by an increase in new product development and research and development expenditure;
- To continue to target selective strategic acquisition opportunities in New Build Housing, Water Management and Minerals. Bolt-on acquisitions of up to £50 million are considered to be the current strategy;
- To re-commence the payment of dividends;
- To continue the policy of paying dividends on the basis of a dividend cover of 2 times earnings in 2021 and beyond. This will see dividends grow, in absolute terms, over the medium term; and
- To maintain a target net debt: EBITDA ratio (on a reported, post-IFRS 16 basis) of between 0.5 and 1.5 times over the cycle. On a pre-IFRS 16 basis, this translates into a target of between 0 and 1 times.

Balance sheet and net debt

Net assets at 31 December 2020 were £287.8 million (2019: £295.8million). Capital discipline remains a key priority and the Group's strong cash generation has continued with operating cash flow in H2 2020 representing 93.6 per cent on a pre-IFRS 16 basis. Reported net debt was £75.6 million at 31 December 2020 (2019: £60.0 million). Net debt, on a pre-IFRS 16 basis, was £26.9 million at 31 December 2020 (2019: £18.7 million). This was significantly better than expected and is after the repayment of £9.4 million of furlough and £11.3 million of deferred VAT in the final quarter of the year. All Government COVID-19 financial assistance has been repaid. The continuing strategy is to ensure that headroom remains at comfortable levels and that we have a range of competitively priced funding lines in place, with different banks, at all times and with different maturity dates. The Group's committed bank facilities have a spread of medium-term maturities that now extends to 2024. The £90 million of additional facilities prudently arranged during the height of the pandemic have not been utilised, and there is no intention to renew these facilities.

The balance sheet value of the Group's defined benefit Pension Scheme was a surplus of £2.7 million (2019: £15.7 million). The amount has been determined by the Scheme actuary. The fair value of the Scheme assets at 31 December 2020 was £402.7 million (2019: £368.8 million) and the present value of the Scheme liabilities is £400.0 million (2019: £353.1 million).

Dividend

Due to the impact of COVID-19, the Board did not propose an interim dividend during 2020. However, the payment of dividends continues to be a key pillar of the Group's capital allocation policy. The Group continues to maintain a progressive dividend policy with the objective of achieving two times dividend cover over the business cycle. As earnings increase we plan to share the increase between strengthening cover and progressively raising the rate of dividend.

The Board is now proposing a final dividend of 4.30 pence which compares with earnings per share of 8.60 pence for the year ending 31 December 2020 (before exceptional operational restructuring costs and asset impairments).

On the assumption that trading supports this position, the Group would look to maintain the stated policy of two times cover for the year ending 31 December 2021. This policy will provide increased returns for shareholders whilst at the same time recognising an appropriate degree of caution and stewardship.

Board change

Jack Clarke has agreed with the Board that he will retire as Group Finance Director and as an Executive Director. A transition plan is well advanced and Jack has agreed to remain with the Group until 31 March 2022 to ensure a smooth and orderly handover. The Board would like to thank Jack for his significant contribution to the success of Marshalls over the last 7 years.

Outlook

Trading has started strongly in 2021. At the end of February, sales are up 7 per cent and orders are up 12 per cent compared to same period in 2020. The CPA's winter base case scenario predicts an increase in UK market volumes of 14.0 per cent in 2021 and 4.9 per cent in 2022. Despite wider market uncertainty, the underlying indicators in our main growth markets of New Build Housing, Road, Rail and Water Management remain positive.

Although market demand remains uncertain, we remain focused on developing future growth opportunities and delivering the strategic objectives in our 5 year Strategy. Our strategy continues to be underpinned by strong market positions, focused investment plans and an established brand. Marshalls' liquidity is strong and will support our investment priorities going forward.

Encouraged by the strong trading performance, the Board is raising its expectations for 2021.

Martyn Coffey
Chief Executive

Marshalls plc
Preliminary Announcement of Results
Consolidated Income Statement
For the year ended 31 December 2020

	Notes	**Before operational restructuring costs and asset impairments 2020 £'000**	**Operational restructuring costs and asset impairments 2020 £'000**	**Year ended 2020 £'000**	Year ended 2019 £'000
Revenue	3	**469,454**	**-**	**469,454**	541,832
Net operating costs	4	**(442,272)**	**(17,809)**	**(460,081)**	(468,151)
Operating profit	3	**27,182**	**(17,809)**	**9,373**	73,681
Financial expenses	6	**(4,730)**	**-**	**(4,730)**	(3,835)
Financial income	6	**10**	**-**	**10**	7
Profit before tax	3	**22,462**	**(17,809)**	**4,653**	69,853
Income tax expense	7	**(5,196)**	**3,101**	**(2,095)**	(11,942)
Profit for the financial year		**17,266**	**(14,708)**	**2,558**	57,911
Profit for the year Attributable to:					
Equity shareholders of the Parent		**17,078**	**(14,708)**	**2,370**	58,240
Non-controlling interests		**188**	**-**	**188**	(329)
		17,266	**(14,708)**	**2,558**	57,911
Earnings per share					
Basic	8	**8.60p**		**1.19p**	29.36p
Diluted	8	**8.53p**		**1.18p**	29.14p
Dividend					
Pence per share	9	**4.30p**			16.70p
Dividends declared	9	**-**			33,113

All results relate to continuing operations.

Marshalls plc
Preliminary Announcement of Results
Consolidated Statement of Comprehensive Income
For the year ended 31 December 2020

	Notes	**2020 £'000**	2019 £'000
Profit for the financial year before operational restructuring costs and asset impairments		**17,266**	57,911
Operational restructuring costs and asset impairments		**(14,708)**	-
Profit for the financial year		**2,558**	57,911
Other comprehensive (expense) / income			
Items that will not be reclassified to the Income Statement:			
Remeasurements of the net defined benefit surplus	11	**(12,741)**	2,847
Deferred tax arising		**2,421**	(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		**(10,634)**	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		**(1,526)**	231
Fair value of cash flow hedges transferred to the Income Statement		**1,238**	113
Deferred tax arising		**42**	(58)
Exchange difference on retranslation of foreign currency net investment		**(1,117)**	992
Exchange movements associated with borrowings designated as a hedge against net investment		**922**	(869)
Foreign currency translation differences – non-controlling interests		**39**	(42)
Total items that are or may be reclassified to the Income Statement		**(402)**	367
Other comprehensive (expense) / income for the year, net of income tax		**(11,036)**	2,730
Total comprehensive (expense) / income for the year		**(8,478)**	60,641
Attributable to:			
Equity shareholders of the Parent		**(8,705)**	61,012
Non-controlling interests		**227**	(371)
		(8,478)	60,641

Marshalls plc
Preliminary Announcement of Results
Consolidated Balance Sheet
For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment		**179,401**	195,554
Right-of-use assets		**44,990**	40,014
Intangible assets		**94,679**	95,799
Employee benefits	11	**2,726**	15,721
Deferred taxation assets		**2,620**	2,947
		324,416	350,035
Current assets			
Inventories		**89,782**	89,238
Trade and other receivables		**95,742**	69,418
Cash and cash equivalents		**103,707**	53,258
Assets classified as held for sale		**450**	-
Derivative financial instruments		**332**	620
		290,013	212,534
Total assets		**614,429**	562,569
Liabilities			
Current liabilities			
Trade and other payables		**119,816**	121,379
Corporation tax		**7,277**	11,234
Short-term lease liabilities	10	**10,065**	9,736
Interest-bearing loans and borrowings		**20,000**	20,000
		157,158	162,349
Non-current liabilities			
Long-term lease liabilities	10	**38,926**	32,224
Interest-bearing loans and borrowings		**110,282**	51,274
Provisions		**3,149**	2,649
Deferred taxation liabilities		**17,066**	18,307
		169,423	104,454
Total liabilities		**326,581**	266,803
Net assets		**287,848**	295,766
Equity			
Capital and reserves attributable to equity shareholders of the Parent			
Called-up share capital		**50,013**	50,013
Share premium account		**24,482**	24,482
Own shares		**(806)**	(1,391)
Capital redemption reserve		**75,394**	75,394
Consolidation reserve		**(213,067)**	(213,067)
Hedging reserve		**313**	559
Retained earnings		**350,569**	359,053
Equity attributable to equity shareholders of the Parent		**286,898**	295,043
Non-controlling interests		**950**	723
Total equity		**287,848**	295,766

Marshalls plc
Preliminary Announcement of Results
Consolidated Cash Flow Statement
For the year ended 31 December 2020

	Notes	**2020 £'000**	2019 £'000
Cash flows from operating activities			
Profit before operational restructuring costs and asset impairments		**17,266**	57,911
Operational restructuring costs and asset impairments		**(14,708)**	-
Profit for the financial year		**2,558**	57,911
Income tax expense on continuing operations	7	**5,196**	11,942
Income tax credit on operational restructuring costs and asset impairments	7	**(3,101)**	-
Profit before tax		**4,653**	69,853
Adjustments for:			
Depreciation of property, plant and equipment		**15,657**	14,903
Asset impairments		**5,489**	-
Depreciation of right-of-use assets		**12,060**	12,868
Amortisation		**2,719**	2,423
Gain on sale of property, plant and equipment		**(1,103)**	(306)
Equity settled share-based payments		**2,998**	3,024
Financial income and expenses (net)		**4,720**	3,828
Operating cash flow before changes in working capital		**47,193**	106,593
(Increase) / decrease in trade and other receivables		**(26,031)**	10,645
Increase in inventories		**(180)**	(5,262)
Increase / (decrease) in trade and other payables		**7,442**	(10,151)
Operational restructuring costs paid		**(6,946)**	(1,109)
Acquisition costs paid		**-**	(375)
Cash generated from operations		**21,478**	100,341
Financial expenses paid		**(4,475)**	(3,193)
Income tax paid		**(4,631)**	(9,023)
Net cash flow from operating activities		**12,372**	88,125
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**11,450**	523
Financial income received		**10**	7
Acquisition of property, plant and equipment		**(13,158)**	(20,488)
Acquisition of intangible assets		**(1,599)**	(2,420)
Net cash flow from investing activities		**(3,297)**	(22,378)
Cash flows from financing activities			
Proceeds from issue of share capital		**-**	225
Payments to acquire own shares		**(2,705)**	(1,470)
Repayment of borrowings		**(10,009)**	(60,736)
New loans		**67,900**	49,809
Cash payment for the principal portion of lease liabilities		**(13,780)**	(12,723)
Equity dividends paid		**-**	(33,203)
Net cash flow from financing activities		**41,406**	(58,098)
Net increase in cash and cash equivalents		**50,481**	7,649
Cash and cash equivalents at the beginning of the year		**53,258**	45,709
Effect of exchange rate fluctuations		**(32)**	(100)
Cash and cash equivalents at the end of the year		**103,707**	53,258

Marshalls plc
Preliminary Announcement of Results
Consolidated Statement of Changes in Equity
For the year ended 31 December 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 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 for the year										
Profit for the financial year attributable to equity shareholders of the Parent	**-**	**-**	**-**	**-**	**-**	**-**	**2,370**	**2,370**	**188**	**2,558**
Other comprehensive (expense) / income										
Foreign currency translation differences	**-**	**-**	**-**	**-**	**-**	**-**	**(195)**	**(195)**	**39**	**(156)**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**-**	**-**	**-**	**(1,526)**	**-**	**(1,526)**	**-**	**(1,526)**
Net change in fair value of cash flow hedges transferred to the Income Statement	**-**	**-**	**-**	**-**	**-**	**1,238**	**-**	**1,238**	**-**	**1,238**
Deferred tax arising	**-**	**-**	**-**	**-**	**-**	**42**	**-**	**42**	**-**	**42**
Defined benefit plan actuarial loss	**-**	**-**	**-**	**-**	**-**	**-**	**(12,741)**	**(12,741)**	**-**	**(12,741)**
Deferred tax arising	**-**	**-**	**-**	**-**	**-**	**-**	**2,421**	**2,421**	**-**	**2,421**
Impact of the change in rate of deferred tax on defined benefit plan actuarial loss	**-**	**-**	**-**	**-**	**-**	**-**	**(314)**	**(314)**	**-**	**(314)**
Total other comprehensive (expense) / income	**-**	**-**	**-**	**-**	**-**	**(246)**	**(10,829)**	**(11,075)**	**39**	**(11,036)**
Total comprehensive (expense) / income for the year	**-**	**-**	**-**	**-**	**-**	**(246)**	**(8,459)**	**(8,705)**	**227**	**(8,478)**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**2,998**	**2,998**	**-**	**2,998**
Deferred tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**(104)**	**(104)**	**-**	**(104)**
Corporation tax on share-based payments	**-**	**-**	**-**	**-**	**-**	**-**	**371**	**371**	**-**	**371**
Purchase of own shares	**-**	**-**	**(2,705)**	**-**	**-**	**-**	**-**	**(2,705)**	**-**	**(2,705)**
Disposal of own shares	**-**	**-**	**3,290**	**-**	**-**	**-**	**(3,290)**	**-**	**-**	**-**
Total contributions by and distributions to owners	**-**	**-**	**585**	**-**	**-**	**-**	**(25)**	**560**	**-**	**560**
Total transactions with owners of the Company	**-**	**-**	**585**	**-**	**-**	**(246)**	**(8,484)**	**(8,145)**	**227**	**(7,918)**
At 31 December 2020	**50,013**	**24,482**	**(806)**	**75,394**	**(213,067)**	**313**	**350,569**	**286,898**	**950**	**287,848**

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

1 Basis of Preparation

Whilst the Financial Information included in this Preliminary Announcement has been prepared on the basis of the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") this announcement does not itself contain sufficient information to comply with IFRS. The Group expects to publish full Consolidated Financial Statements in April 2021.

The Financial Information set out in this Preliminary Announcement does not constitute the Company's Consolidated Financial Statements for the years ended 31 December 2020 or 2019, but is derived from those Financial Statements. Statutory Financial Statements for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's Annual General Meeting. The auditor, Deloitte LLP, has reported on those Financial Statements. The audit reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying the reports and did not contain statements under Section 498(2) or (3) of the Companies Act 2006 in respect of the Financial Statements for 2020 or 2019.

The Consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Group has applied all accounting standards and interpretations issued by the IASB and International Financial Reporting Committee relevant to its operations and which are effective in respect of these Financial Statements.

Details of the Group's funding position are set out in Note 13. 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 totalled £90 million and significantly strengthened the Group's headroom. Including these additional facilities, Marshalls has total bank facilities of £255 million, of which £230 million are committed. 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 addition, the Group established a facility line with the COVID-19 Corporate Financing Facility ("CCFF") with an issuer limit of £200 million. 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 Consolidated Financial Statements, the Board reviewed a range of severe downside scenarios to stress test the further potential impact of COVID-19 and other uncertainties. The stress testing applied in 2020 has taken full account of COVID-19 and the continuing uncertainty over Brexit transition. After the lockdown at the end of March 2020, the Group prepared a series of downside scenario models in relation to revenue, profit and cash flow over a 2-year period. These models have been reviewed and updated during the last year, with additional sensitivities being applied against the Group's base medium-term forecast. The latest stress tests reviewed by the Board in relation to the completion of these Consolidated Financial Statements assumed a further sales revenue sensitivity of 20 per cent over each of the next two years, cumulatively 64 per cent against 2020 revenue. None of the stress tests applied impact the Directors' opinion that there are sufficient unutilised facilities held which mature after 12 months.

The Group's performance is dependent on economic and market conditions, the outlook for which is difficult to predict. However, the potential impact of wider political and economic uncertainties has been considered, including issues or delays as a consequence of the Brexit transition process and a reduction in consumer confidence due to a further slowdown in the UK economy. Based on current expectations and as consequence of significantly improved recent 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 31 December 2020, on a covenant test basis (pre-IFRS 16), the relevant ratios were comfortably achieved and were as follows:

• EBITA: Interest charge – 10.2 times (covenant test requirement – to be greater than 2.5 times).
• Net debt: EBITDA – 0.6 times (covenant test requirement – to be less than 3.0 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 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, the Directors continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

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

Other than in relation to “operational restructuring costs and asset impairments,” the accounting policies have been applied consistently throughout the Group for the purposes of these Consolidated Financial Statements and are also set out on the Company’s website (www.marshalls.co.uk/investor/financial-performance). 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.

The Consolidated Financial Statements are presented in Sterling, rounded to the nearest thousand. Sterling is the currency of the primary economic environment in which the Group operates.

Adoption of new standards in 2020

The accounting policies have been applied consistently throughout the Group for the purpose of the Consolidated Financial Statements. The accounting policies are set out on the Company’s website.

The following other standards, interpretations and amendments to existing standards became effective on 1 January 2020 and have not had a material impact on the Group:

- Amendments to IAS 1 and IAS 8 - *“Definition of Material”*;
- Amendments to IFRS 3 - *“Definition of a Business”*;
- Amendments to IFRS 9, IAS 39 and IFRS 7 - “*Interest Rate Benchmark Reform”;*
- Amendments to IFRS 16 *“Leases”* in relation to COVID-19 related rent concessions; and
- Amendments to References to the Conceptual Framework in IFRS Standards.

The following other standards, interpretations and amendments to existing standards have been issued but were not mandatory for accounting periods beginning 1 January 2020 and are not expected to have a material impact on the Group.

- IFRS 17 *“Insurance Contracts”*, effective from 1 January 2021;
- Amendments to IFRS 10 and IAS 28 *"Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"*, effective date deferred indefinitely;
- Amendments to IAS 1 - *“Classification of Liabilities as Current or Non-current”*;
- Amendments to IFRS 3 – *“Reference to the Conceptual Framework”*;
- Amendments to IFRS 16 – *“Property, Plant and Equipment – Proceeds before Intended Use”*;
- Amendments to IFRS 37 – *“Onerous Contracts – Cost of Fulfilling a Contract”*; and
- Annual Improvements to IFRS Standards 2018 – 2020 cycle - Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IFRS 9 “Financial Instruments”, IFRS 16 “Leases”, and IAS 41 “Agriculture”.

The Directors do not expect that the adoption of the standards listed above will have a material impact on the Financial Statements of the Group in future periods.

2 Alternative performance measures

The Group uses alternative performance measures (“APMs”) which are not defined or specified under IFRS. The Group believes that these APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board and provide more meaningful comparative information.

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 the scale and exceptional nature and to provide a better understanding of the Group’s results. Further details have been included in Note 5.

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 disclosed before operational restructuring costs and asset impairments.

	Pre-IFRS 16 December 2020 £'000	Impact of IFRS 16 £'000	Post-IFRS 16 December 2020 £'000	Pre-IFRS 16 December 2019 £'000	Impact of IFRS 16 £'000	Post-IFRS 16 December 2019 £'000
Revenue	**469,454**	**-**	**469,454**	541,832	-	541,832
Net operating costs	**(443,992)**	**1,720**	**(442,272)**	(469,252)	1,101	(468,151)
Operating profit	**25,462**	**1,720**	**27,182**	72,580	1,101	73,681
Finance charges (net)	**(3,116)**	**(1,604)**	**(4,720)**	(2,486)	(1,342)	(3,828)
Profit before tax	**22,346**	**116**	**22,462**	70,094	(241)	69,853
Income tax	**(5,196)**	**-**	**(5,196)**	(11,942)	-	(11,942)
Profit after tax	**17,150**	**116**	**17,266**	58,152	(241)	57,911

	Pre-IFRS 16 December 2020	Impact of IFRS 16	Post-IFRS 16 December 2020	Pre-IFRS 16 December 2019 £'000	Impact of IFRS 16 £'000	Post IFRS 16 December 2019
Profit before tax (£'000)	**22,346**	**116**	**22,462**	70,094	(241)	69,853
EBITDA (£'000)	**43,838**	**13,780**	**57,618**	90,115	13,760	103,875
EPS (pence)	**8.54**	**0.06**	**8.60**	29.48	(0.12)	29.36
Net debt (£'000)	**26,945**	**48,621**	**75,566**	18,654	41,322	59,976
ROCE (%)	**8.9**	**(0.7)**	**8.2**	23.7	(2.3)	21.4
Net debt: EBITDA	**0.6**	**0.7**	**1.3**	0.2	0.4	0.6
Gearing (%)	**9.3**	**17.0**	**26.3**	6.3	14.0	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 2020 £'000	Post-IFRS 16 2020 £'000	Pre-IFRS 16 2019 £'000	Post-IFRS 16 2019 £'000
EBITDA	**43,838**	**57,618**	90,115	103,875
Depreciation	**(15,657)**	**(27,717)**	(15,112)*	(27,771)
EBITA	**28,181**	**29,901**	75,003	76,104
Amortisation of intangible assets	**(2,719)**	**(2,719)**	(2,423)	(2,423)
Operating profit	**25,462**	**27,182**	72,580	73,681

* Pre-IFRS 16 depreciation of £15,112,000 comprises depreciation of £14,903,000 in respect of tangible fixed assets (Note 4) and £209,000 relating to assets previously classified as finance leases but now reclassified as right-of-use assets.

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 2020 £'000	Post-IFRS 16 2020 £'000	Pre-IFRS 16 2019 £'000	Post-IFRS 16 2019 £'000
EBITA	**28,181**	**29,901**	75,003	76,104
Shareholders' funds	**289,816**	**287,848**	297,850	295,766
Net debt	**26,945**	**75,566**	18,654	59,976
	316,761	**363,414**	316,504	355,742
Reported ROCE	**8.9%**	**8.2%**	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

The ratio of operating cash flow to EBITDA

The ratio of operating cash flow to EBITDA is calculated as set out below:

	2020 £'000	2019 £'000
Net cash flows from operating activities	**12,372**	88,125
Operational restructuring costs paid	**6,946**	-
Net financial expenses paid	**4,475**	3,193
Taxation paid	**4,631**	9,023
Operating cash flow	**28,424**	100,341
EBITDA	**57,618**	103,875
Ratio of operating cash flow to EBITDA	**49.3%**	96.6%

3 Segmental analysis

Segment revenues and results

	2020			2019		
	Landscape Products £'000	**Other £'000**	**Total £'000**	Landscape Products* £'000	Other* £'000	Total £'000
Total revenue	**381,304**	**90,903**	**472,207**	448,972	96,965	545,937
Inter-segment revenue	**(314)**	**(2,439)**	**(2,753)**	(362)	(3,743)	(4,105)
External revenue	**380,990**	**88,464**	**469,454**	448,610	93,222	541,832
Segment operating profit	**32,413**	**1,517**	**33,930**	75,013	3,369	78,382
Operational restructuring costs and asset impairments	-	-	**(17,809)**	-	-	-
Unallocated administration costs			**(6,748)**			(4,701)
Operating profit			**9,373**			73,681
Finance charges (net)			**(4,720)**			(3,828)
Profit before tax			**4,653**			69,853
Taxation			**(2,095)**			(11,942)
Profit after tax			**2,558**			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 year ended 31 December 2020.*

The Group has 2 customers which each contributed more than 10 per cent of total revenue in the current and prior year.

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

Included in "Other" are the Group's 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 assets

	2020 £'000	2019* £'000
Property, plant and equipment, right-of-use assets and inventory:		
Landscape Products	**248,245**	249,764
Other	**65,928**	75,042
Total segment property, plant and equipment, right-of-use assets and inventory	**314,173**	324,806
Unallocated assets	**300,256**	237,763
Consolidated total assets	**614,429**	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 year ended 31 December 2020.*

For the purpose of monitoring segment performance and allocating resources 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		Property, plant and equipment and right-of-use asset additions	
	2020	2019*	**2020**	2019
	£'000	£'000	**£'000**	£'000
Landscape Products	**23,707**	23,133	**24,723**	24,550
Other	**6,729**	7,061	**6,528**	5,027
	30,436	30,194	**31,251**	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 year ended 31 December 2020.*

Geographical destination of revenue

	2020	2019
	£'000	£'000
United Kingdom	**438,173**	514,905
Rest of the world	**31,281**	26,927
	469,454	541,832

The Group's revenue is subject to seasonal fluctuations resulting from demand from customers. In particular, demand is higher in the summer months. The Group manages the seasonal impact through the use of a seasonal working capital facility.

4 Net operating costs

	2020	2019
	£'000	£'000
Raw materials and consumables	**183,361**	198,124
Changes in inventories of finished goods and work in progress	**(378)**	847
Personnel costs	**122,260**	128,221
Depreciation of property, plant and equipment	**15,657**	14,903
Depreciation of right-of-use assets	**12,060**	12,868
Amortisation of intangible assets	**2,719**	2,423
Own work capitalised	**(2,991)**	(4,216)
Other operating costs	**112,603**	116,135
Redundancy and other restructuring costs	**356**	1,396
Operating costs	**445,647**	470,701
Other operating income	**(2,272)**	(2,244)
Net gain on asset and property disposals	**(1,103)**	(306)
Net operating costs before operational restructuring costs and asset impairments	**442,272**	468,151
Operational restructuring costs and asset impairments (Note 5)	**17,809**	-
Net operating costs	**460,081**	468,151

5 Operational restructuring costs and asset impairments

	2020	2019
	£'000	£'000
Works closure costs	**4,502**	-
Redundancy	**7,818**	-
Asset impairments	**5,489**	-
	17,809	-

6 Financial expenses and income

	2020	2019
	£'000	£'000
(a) Financial expenses		
Net interest expense on defined benefit pension scheme	**154**	542
Interest expense on bank loans	**2,972**	1,951
Interest expense on lease liabilities	**1,604**	1,342
	4,730	3,835
(b) Financial income		
Interest receivable and similar income	**10**	7

Net interest expense on the defined benefit pension scheme is disclosed net of Company recharges (Note 11).

7 Income tax expense

	Before operational restructuring costs and asset impairments 2020 £'000	Operational restructuring costs and asset impairments 2020 £'000	2020 £'000	2019 £'000
Current tax expense				
Current year	**5,072**	**(2,341)**	**2,731**	13,214
Adjustments for prior years	**(1,768)**	**-**	**(1,768)**	(1,577)
	3,304	**(2,341)**	**963**	11,637
Deferred taxation expense				
Origination and reversal of temporary differences:				
Current year	**918**	**(760)**	**158**	556
Adjustments for prior years	**974**	**-**	**974**	(251)
Total tax expense	**5,196**	**(3,101)**	**2,095**	11,942

	2020 %	2020 £'000	2019 %	2019 £'000
Reconciliation of effective tax rate				
Profit before tax	**100.0**	**4,653**	100.0	69,853
Tax using domestic corporation tax rate	**19.0**	**884**	19.0	13,272
Impact of capital allowances in excess of depreciation	**3.7**	**173**	(0.7)	(523)
Short-term timing differences	**13.9**	**645**	0.6	386
Adjustment to tax charge in prior year	**(38.0)**	**(1,768)**	(2.3)	(1,577)
Expenses not deductible for tax purposes	**22.1**	**1,029**	0.1	79
Corporation tax charge for the year	**20.7**	**963**	16.7	11,637
Impact of capital allowances in excess of depreciation	**(34.1)**	**(1,585)**	0.9	648
Short-term timing differences	**1.1**	**52**	–	–
Pension scheme movements	**(2.7)**	**(124)**	(0.2)	(109)
Other items	**0.4**	**18**	0.4	261
Adjustment to tax charge in prior year	**20.9**	**974**	(0.4)	(251)
Impact of the change in the rate of corporation tax on deferred taxation	**38.7**	**1,797**	(0.3)	(244)
Total tax charge for the year	**45.0**	**2,095**	17.1	11,942

The net amount of deferred taxation credited to the Consolidated Statement of Comprehensive Income in the year was £2,149,000 (2019: debited £542,000).

The majority of the Group's profits are earned in the UK with the standard rate of corporation tax being 19 per cent for the year to 31 December 2020. 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, consequently, the deferred taxation liability at 31 December 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. The rate change has given rise to an increase to the deferred tax charge of £1.6 million. This has given rise to the increase in the effective tax rate.

Capital allowances are tax reliefs provided in law for the expenditure the Group makes on fixed assets. The rates are determined by Parliament annually, and spread the tax relief due over a number of years. This contrasts with the accounting treatment for such spending, where the expenditure on fixed assets is treated as an investment with the cost then being spread over the anticipated useful life of the asset, and / or impaired if the value of such assets is considered to have reduced materially.

The different accounting treatment of fixed assets for tax and accounting purposes is one reason why the taxable income of the Group is not the same as its accounting profit. During the year ended 31 December 2020 the capital allowances due to the Group exceeded the depreciation charge for the year.

Short-term timing differences arise on items such as depreciation in stock and share-based payments because the treatment of such items is different for tax and accounting purposes. These differences usually reverse in the years following those in which they arise, as is reflected in the deferred tax charge in the Financial Statements.

Adjustments to tax charges arising in earlier years arise because the tax charge to be included in a set of accounts has to be estimated before those Financial Statements are finalised. Such charges therefore include some estimates that are checked and refined before the Group's corporation tax returns for the year are submitted to HM Revenue & Customs, which may reflect a different liability as a result.

Some expenses incurred may be entirely appropriate charges for inclusion in the Financial Statements but are not allowed as a deduction against taxable income when calculating the Group's tax liability for the same accounting period. Examples of such disallowable expenditure include business entertainment costs and some legal expenses.

The prior year adjustment in corporation tax includes the reversal of some tax provisions made on acquisition of subsidiaries in prior years which are no longer required.

As can be seen from the tax reconciliation, the process of adjustment that can give rise to current year adjustments to tax charges arising in previous periods can also give rise to revisions in prior year deferred tax estimates. This is why the current year adjustments to the current year charge for capital allowances and short-term timing differences are not exactly replicated in the deferred taxation charge for the year.

The Group's overseas operations comprise a manufacturing operation in Belgium and sales and administration offices in the USA, and China. The sales of these units, in total, were less than 7 per cent of the Group's turnover in the year ended 31 December 2020. In total, the trading profits were not material and no tax was due.

On 3 March 2021 the Chancellor of the Exchequer announced that legislation will be introduced in the Finance Bill 2021 to set the main rate of corporation tax at 25 per cent for Financial Year 2023. This change will impact on the Group's future tax charges and the deferred tax balances recognised. The Company has not yet been able to undertake a full analysis of the changes to accurately quantify the possible impact.

8 Earnings per share

Basic earnings per share from total operations of 1.19 pence (2019: 29.36 pence) per share is calculated by dividing the profit attributable to Ordinary Shareholders for the financial year, after adjusting for non-controlling interests, of £2,370,000 (2019: £58,240,000) by the weighted average number of shares in issue during the period of 198,642,224 (2019: 198,346,723).

Basic earnings per share, before operational restructuring costs and asset impairments, of 8.60 pence (2019: 29.36 pence) per share is calculated by dividing the profit attributable to Ordinary Shareholders for the financial year, after adjusting for non-controlling interests, of £17,078,000 (2019: £58,240,000) by the weighted average number of shares in issue during the period of 198,642,224 (2019: 198,346,723).

Profit attributable to Ordinary Shareholders

	2020 £'000	2019 £'000
Profit before operational restructuring and asset impairments	**17,266**	57,911
Operational restructuring costs and asset impairments	**(14,708)**	-
Profit for the financial year	**2,558**	57,911
(Profit)/loss attributable to non-controlling interests	**(188)**	329
Profit attributable to Ordinary Shareholders	**2,370**	58,240

Weighted average number of Ordinary Shares

	2020 Number	2019 Number
Number of issued Ordinary Shares	**200,052,157**	200,052,157
Effect of shares transferred into Employee Benefit Trust	**(1,409,933)**	(1,705,434)
Weighted average number of Ordinary Shares at the end of the year	**198,642,224**	198,346,723

Diluted earnings per share from total operations of 1.18 pence (2019: 29.14 pence) per share is calculated by dividing the profit for the financial year, after adjusting for non-controlling interests, of £2,370,000 (2019: £58,240,000) by the weighted average number of shares in issue during the period of 198,642,224 (2019: 198,346,723) plus potentially dilutive shares of 1,614,132 (2019: 1,496,678), which totals 200,256,356 (2019: 199,843,401).

Diluted earnings per share before operational restructuring costs and asset impairments of 8.53 pence (2019: 29.14 pence) per share is calculated by dividing the profit for the financial year, after adjusting for non-controlling interests, of £17,078,000 (2019: £58,240,000) by the weighted average number of shares in issue during the period of 198,642,224 (2019: 198,346,723) plus potentially dilutive shares of 1,614,132 (2019: 1,496,678), which totals 200,256,356 (2019: 199,843,401).

Weighted average number of Ordinary Shares (diluted)

	2020 Number	2019 Number
Weighted average number of Ordinary Shares	**198,642,224**	198,346,723
Potentially dilutive shares	**1,614,132**	1,496,678
Weighted average number of Ordinary Shares (diluted)	**200,256,356**	199,843,401

9 Dividends

After the balance sheet date, a final dividend of 4.30 pence was proposed by the Directors. This dividend has not been provided for and there are no income tax consequences. Due to the impact of COVID-19, the Board withdrew the previously announced 2019 final and supplementary dividends. In addition, the Board did not propose an interim dividend during 2020.

	Pence per qualifying share	**2020 £'000**	2019 £'000
2020 final	**4.30**	**8,542**	-
2019 interim	4.70	-	9,323

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

	Pence per qualifying share	**2020 £'000**	2019 £'000
2019 interim	4.70	-	9,323
2018 supplementary	4.00	-	7,930
2018 final	8.00	-	15,860
	16.70	-	33,113

The Board recommends a 2020 final dividend of 4.30 pence per qualifying Ordinary Share (amounting to £8,542,000), to be paid on 1 July 2021 to shareholders registered at the close of business on 4 June 2021.

10 Lease liabilities

	2020 £'000	2019 £'000
Analysed as:		
Amounts due for settlement within 12 months (shown under current liabilities)	**10,065**	9,736
Amounts due for settlement after 12 months	**38,926**	32,224
	48,991	41,960

	2020			2019		
	Minimum lease payments £'000	**Interest £'000**	**Principal £'000**	Minimum lease payments £'000	Interest £'000	Principal £'000
Less than 1 year	**11,579**	**1,514**	**10,065**	10,835	1,099	9,736
1 to 2 years	**8,605**	**1,287**	**7,318**	8,322	1,476	6,846
2 to 5 years	**12,350**	**2,036**	**10,314**	12,469	2,080	10,389
In more than 5 years	**28,598**	**7,304**	**21,294**	21,225	6,236	14,989
	61,132	**12,141**	**48,991**	52,851	10,891	41,960

As at 31 December 2020, the total minimum lease payments (above) comprised property of £32,122,000 (2019: £30,323,000) and plant, machinery and vehicles of £29,010,000 (2019: £22,528,000).

On 10 September the Group completed a sale and leaseback transaction in relation to its site in Rumst, Belgium. The net cash proceeds of €12,481,000 million have been used to pay down the inter-company indebtedness between Marshalls NV and Marshalls Mono Limited. The net profit for the Group of £1,484,000 has been disclosed within the net gain on asset and property disposals (Note 4). The lease has a 10-year term, with an option to extend after 5 years. It has currently not been assumed that the option to extend will be exercised as the Directors do not believe that this is reasonably certain.

Certain leased properties have been sublet by the Group. Sublease payments of £239,003 (2019: £214,068) are expected to be received during the following financial year. An amount of £225,786 (2019: £229,034) was recognised as income in the Consolidated Income Statement within net operating costs in respect of subleases.

The Group does not face a significant liquidity risk with regard to its lease liabilities. For the year ended 31 December 2020, the interest expense on lease liabilities amounted to £1,604,000 (2019: £1,342,000). Lease liabilities are calculated at the present value of the lease payments that are not paid at the commencement date.

For the year ended 31 December 2020, the average effective borrowing rate was 2.8 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.

11 Employee benefits

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

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

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

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

The defined benefit section of the Scheme is subject to regular actuarial valuations, which are usually carried out every 3 years. The next actuarial valuation is expected to be carried out with an effective date of 5 April 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 31 December 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:

	2020 £’000	2019 £’000	2018 £’000
Present value of Scheme liabilities	**(399,938)**	(353,136)	(330,222)
Fair value of Scheme assets	**402,664**	368,857	343,738
Net amount recognised at the year end (before any adjustments for deferred tax)	**2,726**	15,721	13,516

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

	2020 £’000	2019 £’000
Net interest expense recognised in the Consolidated Income Statement	**254**	642
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in interest expense)	**(40,151)**	(33,362)
Loss arising from changes in financial assumptions	**52,491**	38,367
Loss / (gain) arising from changes in demographic assumptions	**1,209**	(13,017)
Experience (gain) / loss	**(808)**	5,165
Debit / (credit) recorded in other comprehensive income	**12,741**	(2,847)
Total defined benefit debit / (credit)	**12,995**	(2,205)

The principal actuarial assumptions used were:

	2020 £'000	2019 £'000
Liability discount rate	**1.40%**	2.10%
Inflation assumption – RPI	**2.85%**	2.95%
Inflation assumption – CPI	**2.20%**	2.05%
Rate of increase in salaries	**n/a**	n/a
Revaluation of deferred pensions	**2.20%**	2.10%
Increases for pensions in payment:		
CPI pension increases (maximum 5% p.a.)	**2.20%**	2.10%
CPI pension increases (maximum 5% p.a., minimum 3% p.a.)	**3.25%**	3.20%
CPI pension increases (maximum 3% p.a.)	**1.95%**	1.90%
Proportion of employees opting for early retirement	**0%**	0%
Proportion of employees commuting pension for cash	**80%**	80%
Mortality assumption – before retirement	**Same as post retirement**	Same as post retirement
Mortality assumption – after retirement (males)	**S2PXA tables**	S2PXA tables
Loading	**110%**	110%
Projection basis	**Year of birth CMI_2019 1.0%**	Year of birth CMI_2018 1.0%
Mortality assumption – after retirement (females)	**S2PXA tables**	S2PXA tables
Loading	**110%**	110%
Projection basis	**Year of birth CMI_2019 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
Female aged 65 at year end	**87.7**	87.5
Future expected lifetime of future pensioner at age 65:		
Male aged 45 at year end	**86.7**	86.6
F1.40male aged 45 at year end	**88.9**	88.7

12 Acquisition of subsidiary undertaking in previous accounting periods

On 11 December 2018, Marshalls Mono Limited acquired 100 per cent of the issued share capital of Edenhall Holdings Limited, a concrete brick manufacturer. The initial cash consideration paid to the vendors was £10,759,000 and, in addition, a further £1,000,000 was paid into an escrow account in relation to certain ongoing legal and regulatory matters identified during the course of due diligence carried out prior to concluding the acquisition. On 21 December 2020, all outstanding issues were agreed with the principal vendor shareholders and £853,000 was reimbursed from the amounts held in escrow. In addition, £134,000 was paid to certain former shareholders, with all escrow monies being released. The reimbursement asset of £1,000,000 that was recognised within other debtors was consequently distributed.

In addition, deferred consideration of £1,900,000 was also paid to the principal vendor shareholders on 21 December 2020, along with an agreed element of the outstanding potential additional consideration. Additional amounts remain payable to other former shareholders and employees, dependent on the achievement of performance targets in the periods post acquisition. These post-acquisition performance periods are up to 3 years in duration and will be settled in cash on their payment date on achieving the relevant targets. The range of these additional payments are estimated to be between £nil and £1,800,000. The Group continues to record a creditor for these contingent payments, representing the fair value at the year-end date.

13 Analysis of net debt

	1 January 2020 £'000	Cash flow £'000	New leases £'000	Other changes (i) £'000	**31 December 2020 £'000**
Cash at bank and in hand	53,258	50,481	-	(32)	**103,707**
Debt due within 1 year	(20,000)	-	-	-	**(20,000)**
Debt due after 1 year	(51,274)	(57,891)	-	(1,117)	**(110,282)**
Lease liabilities	(41,960)	13,780	(20,811)	-	**(48,991)**
	(59,976)	6,370	(20,811)	(1,149)	**(75,566)**

* Other changes include foreign currency movements on cash and loan balances

Reconciliation of net cash flow to movement in net debt

	2020 **£'000**	2019 £'000
Net increase in cash equivalents	**50,481**	7,649
Leases recognised on adoption of IFRS 16	**-**	(45,579)
Cash (inflow) / outflow from (increase) / decrease in bank borrowings	**(57,891)**	10,927
Cash outflow from lease repayments	**13,780**	12,723
New leases entered into	**(20,811)**	(8,163)
Effect of exchange rate fluctuations	**(1,149)**	(100)
Movement in net debt in the year	**(15,590)**	(22,543)
Net debt at 1 January	**(59,976)**	(37,433)
Net debt at 31 December	**(75,566)**	(59,976)

Borrowing facilities

The total bank borrowing facilities at 31 December 2020 amounted to £255.0 million (2019: £155.0 million), of which £124.7 million (2019: £83.7 million) remained unutilised. The undrawn facilities available at 31 December 2020, in respect of which all conditions precedent had been met, were as follows:

	2020 **£'000**	2019 £'000
Committed:		
Expiring in more than 5 years	**-**	–
Expiring in more than 2 years but not more than 5 years	**9,718**	68,726
Expiring in 1 year or less	**90,000**	–
Uncommitted:		
Expiring in 1 year or less	**25,000**	15,000
	124,718	83,726

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. These additional facilities have not been drawn down and there is no current expectation that they will be utilised before maturity. In addition, the seasonal on demand facility of £10 million was extended from 31 August 2020 to 31 January 2021. Including these additional facilities, Marshalls has total bank facilities of £255 million, of which £230 million are committed. In addition, the Group established a facility line with the COVID-19 Corporate Financing Facility ("CCFF") with an issuer limit of £200 million. This has not been utilised. 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 four-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. 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.

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
Q1: 2021	90,000	230,000
On-demand facilities		
Available all year	15,000	245,000
Seasonal (February to August inclusive)	10,000	255,000

14 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 31 December 2020 is shown below:

	2020		2019	
	Book amount £'000	**Fair value £'000**	Book amount £'000	Fair value £'000
Trade and other receivables	**86,699**	**86,699**	60,162	60,162
Cash and cash equivalents	**103,707**	**103,707**	53,258	53,258
Bank loans	**(130,282)**	**(126,010)**	(71,274)	(69,936)
Lease liabilities	**(48,991)**	**(61,132)**	(41,960)	(52,851)
Trade payables, other payables and provisions	**(110,039)**	**(110,039)**	(108,621)	(108,621)
Interest rate swaps, forward contracts and fuel hedges	**332**	**332**	620	620
Contingent consideration	**(1,800)**	**(1,800)**	(2,420)	(2,420)
Financial instrument assets and liabilities – net	**(100,374)**		(110,235)	
Non-financial instrument assets and liabilities – net	**388,222**		406,001	
	287,848		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) Finance 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) 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
31 December 2020				
Derivative financial assets	**-**	**332**	**-**	**332**
31 December 2019				
Derivative financial assets	–	620	–	620

15 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 principal risks and uncertainties cover the strategic, financial and operational 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. These cover health and safety, information technology and issues surrounding home-working and a range of operational issues. All issues are being assessed on an ongoing basis and 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.

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.

16 Annual General Meeting

The Annual General Meeting will be held at Landscape House, Premier Way, Lowfields Business Park, Elland HX5 9HT, at 11.00am on Wednesday 12 May 2021.

Due to the continuing impact of COVID-19, and in accordance with the current government measures restricting public gatherings and non-essential travel, we do not currently intend to admit any shareholders in person at our AGM. As we did last year, we are making arrangements for the AGM to be a "hybrid" meeting allowing shareholders to participate electronically. Further details will be enclosed with the notice convening the AGM, a copy of which will also be made available in the Investor Relations section of our website.

The Board

The Directors serving during the year ended 31 December 2020 were as follows:

Vanda Murray OBE	Chair
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

By order of the Board

Shiv Sibal
Group Company Secretary
11 March 2021

Cautionary Statement

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

Directors' Liability

Neither the Company nor the Directors accept any liability to any person in relation to the contents of this Preliminary Results announcement except to the extent that such liability arises under English law. Accordingly, any liability to a person who has demonstrated reliance on any untrue or misleading statement or omission shall be determined in accordance with section 90A of the Financial Services and Market Act 2020.