

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser who is authorised under the Financial Services and Markets Act 2000 (“FSMA”) if you are resident in the United Kingdom (the “UK”), or, if you are not, from another appropriately authorised independent financial adviser.

This document, which comprises: (i) a circular prepared for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out at the end of this document in accordance with the Listing Rules of the Financial Conduct Authority (the “FCA”) made under section 73A of FSMA and (ii) a simplified prospectus relating to Marshalls plc (“Marshalls” or the “Company”) prepared in accordance with Article 14 of the Prospectus Regulation, prepared and made available to the public in accordance with the Prospectus Regulation Rules of the FCA made under section 73A of FSMA. This document has been approved by the FCA as competent authority under Regulation (EU) 2017/1129, as it forms part of retained EU law as defined in the EUWA 2018 (the “Prospectus Regulation”). The FCA only approves this prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval shall not be considered as an endorsement of the issuer that is the subject of this prospectus or of the quality of the securities that are the subject of this prospectus. Investors should make their own assessment as to the suitability of investing in the New Ordinary Shares.

If you sell or have sold or otherwise transferred all of your Existing Ordinary Shares before 8.00 a.m. on 7 April 2022 being the date upon which the Existing Ordinary Shares will be marked “ex” the entitlement to the Open Offer, please forward this document together with the accompanying Form of Proxy and, if relevant, Application Form, if and when received, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer is/was effected for delivery to the purchaser or the transferee. However, the distribution of this document, the Application Forms and/or any related documents, and/or the transfer of the Open Offer Entitlements and/or Excess Open Offer Entitlements through CREST into jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, this document, the enclosures and any other such documents should not be distributed, forwarded to or transmitted in or into the United States or any other Restricted Jurisdiction. In such circumstances, if you sell or have sold or otherwise transferred only part of your holding of Existing Ordinary Shares, you should retain any such documents received.

The directors of the Company, whose names appear on page 205 of this document (the “Directors”), and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.



(incorporated and registered in England and Wales with registered number 05100353)

Proposed acquisition of Marley Group Plc and proposed issue of Consideration Shares at 680 pence per Consideration Share

Firm Placing of 13,435,487 New Ordinary Shares at 650 pence per New Ordinary Share

Placing and Open Offer of 15,388,627 New Ordinary Shares at 650 pence per New Ordinary Share

Notice of General Meeting

**Rothschild & Co
Sponsor and Financial Adviser**

**Numis Peel Hunt
Joint Bookrunners**

The Existing Ordinary Shares have been admitted to the premium listing segment of the Official List, and to trading on the London Stock Exchange's main market for listed securities. Application will be made to the FCA for the New Ordinary Shares to be listed on the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together "**Admission**"). It is expected that Admission of the New Ordinary Shares will become effective and that dealings in the New Ordinary Shares will commence at 8.00 a.m. on 29 April 2022.

Your attention is drawn to the letter from the Chair of the Company which is set out in Part VII (*Letter from the Chair of Marshalls plc*) of this document and which contains a recommendation from your Board that you vote in favour of the Resolution to be proposed at the General Meeting referred to below. You should read the whole of this document and the documents incorporated herein by reference. Part II (*Risk Factors*) of this document includes a description of certain important factors, risks and uncertainties that may affect the Group's business and the New Ordinary Shares and which should be taken into account when considering the matters referred to in this document.

A notice convening the General Meeting to be held at 09.30 a.m. on 28 April 2022 at Landscape House, Premier Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9HT is set out at the end of this document. A Form of Proxy for use in connection with the General Meeting is enclosed with this document. Whether or not you intend to attend the General Meeting in person, to be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed on it so as to be received by the Company's Registrars, Computershare Investor Services PLC, as soon as possible and, in any event, by no later than 09.30 a.m. on 26 April 2022. You may also submit your proxy electronically at www.investorcentre.co.uk/eproxy using the Control Number, PIN and Shareholder Reference Number (SRN) on the Form of Proxy. If you are a member of CREST you may be able to use the CREST electronic proxy appointment service. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 09.30 a.m. on 26 April 2022.

The latest time and date for acceptance and payment in full under the Open Offer is 11.00 a.m. on 27 April 2022. The procedures for acceptance and payment are set out in Part XI (*Terms and Conditions of the Capital Raising*) of this document and, where relevant, in the Application Form. Qualifying Non-CREST Shareholders will be sent an Application Form. Qualifying CREST Shareholders (who will not receive an Application Form) will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements and Excess Open Offer Entitlements which is expected to be enabled for settlement on 29 April 2022.

Applications under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim arising out of a sale or transfer of Ordinary Shares prior to the date on which the Ordinary Shares were marked "ex" the entitlement by the London Stock Exchange. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer. The Application Form is personal to Qualifying Shareholders and cannot be transferred, sold, or assigned except to satisfy *bona fide* market claims. Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer. No statement in this document or incorporated by reference into this document is intended as a profit forecast or profit estimate for any period and no statement in this document or incorporated by reference into this document should be interpreted to mean that earnings, earnings per share, revenue growth, net assets or cash flow will necessarily be greater or lesser than those for the relevant preceding financial periods for the Company.

Investors should only rely on the information contained in this document and contained in any documents incorporated into this document by reference. No person has been authorised to give any information or make any representations other than those contained in this document and any document incorporated by reference and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Company's Board, N. M. Rothschild & Sons Limited ("**Rothschild & Co**") or the Joint Bookrunners.

The release, publication or distribution of this document in jurisdictions other than the UK may be restricted by law and, therefore, any persons who are subject to the laws of any jurisdiction other than

the UK should inform themselves about, and observe, any applicable requirements. Failure to comply with any such restrictions may constitute a violation of the securities laws of any jurisdiction. This document has been prepared to comply with requirements of English law, the Listing Rules, the Prospectus Regulation Rules, the Prospectus Regulation and the Rules of the London Stock Exchange and information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside England.

Rothschild & Co, which is authorised and regulated in the UK by the FCA, is acting exclusively for Marshalls and for no-one else in connection with the contents of this document and will not regard any other person as its client in relation to the matters in this document and will not be responsible to anyone other than Marshalls for providing the protections afforded to clients of Rothschild & Co nor for providing advice in connection with the contents of this document or any transaction, arrangement or other matter referred to in this document.

Numis Securities Limited (“**Numis**”) and Peel Hunt LLP (“**Peel Hunt**”) (together the “**Joint Bookrunners**”), each of which is authorised and regulated in the UK by the FCA, are acting exclusively for Marshalls and no-one else in connection with the Firm Placing and the Placing and will not regard any other person (whether or not a recipient of this document) as their respective clients in relation to the Firm Placing and the Placing and will not be responsible to anyone other than Marshalls for providing the protections afforded to their respective clients nor for providing advice in connection with the Firm Placing and the Placing or any transaction, arrangement or other matter referred to in this document.

Save for the responsibilities and liabilities, if any, of Rothschild & Co or the Joint Bookrunners under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder, none of Rothschild & Co or the Joint Bookrunners shall assume any responsibility whatsoever or makes any representations or warranties, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by Marshalls, or on the Company’s behalf, or by Rothschild & Co or on Rothschild & Co’s behalf or by the Joint Bookrunners or on the Joint Bookrunners’ behalf. Nothing contained in this document is, or shall be, relied on as a promise or representation in this respect, whether as to the past or the future, in connection with Marshalls. Each of Rothschild & Co and the Joint Bookrunners accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this document or any such statement.

NOTICE TO OVERSEAS SHAREHOLDERS

This document does not constitute an offer of, or a solicitation to subscribe for or purchase, any securities in any jurisdiction in which such offer or solicitation is unlawful or to any person to whom it is unlawful to make such offer or solicitation. The Application Form and the New Ordinary Shares have not been and will not be registered or qualified for distribution to the public under the relevant laws of the United States or any other Restricted Jurisdiction and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, in or into the United States or any other Restricted Jurisdiction or in any other jurisdictions where the extension and availability of the Open Offer would breach any applicable law, except pursuant to an applicable exemption.

The Company, Rothschild & Co and the Joint Bookrunners do not make any representation to any offeree, subscriber or acquirer of the New Ordinary Shares regarding the legality of an investment in the New Ordinary Shares by such offeree, subscriber or acquirer under the laws applicable to such offeree, subscriber or acquirer. Each investor should consult with his or its own advisers as to the legal, tax, business, financial and related aspects of an investment in the New Ordinary Shares.

EXCEPT AS OTHERWISE PROVIDED FOR HEREIN, NEITHER THE APPLICATION FORM NOR THIS DOCUMENT CONSTITUTES AN OFFER OF NEW ORDINARY SHARES TO ANY PERSON WITH A REGISTERED ADDRESS IN, OR WHO IS LOCATED OR RESIDENT IN, ANY OF THE RESTRICTED JURISDICTIONS.

NOTICE TO US INVESTORS

The New Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**US Securities Act**”), or with any regulatory authority or under the applicable securities laws of any state or other jurisdiction of the United States, and, subject to certain exceptions, may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States. This document does not constitute an offer to sell or a solicitation of an offer to buy New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. Subject to certain exceptions, this document and the Application Form are intended for use only in connection with offers and sales of New Ordinary Shares outside the United States and are not to be sent or given to any person with a registered address, or who is resident or located in, the United States. The New Ordinary Shares offered outside the United States are being offered in reliance on Regulation S under the US Securities Act.

The New Ordinary Shares have not been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. There will be no public offer of the New Ordinary Shares in the United States.

The Joint Bookrunners may arrange for any New Ordinary Shares not taken up in the Open Offer to be offered and sold only outside the United States in accordance with Regulation S under the US Securities Act.

In addition, until 40 days after Admission, an offer, sale or transfer of the New Ordinary Shares within the United States by a dealer (whether or not participating in the Open Offer) may violate the registration requirements of the US Securities Act. The Company is not subject to the periodic reporting requirements of the U.S. Securities Exchange Act of 1934, as amended.

NOTICE TO ALL INVESTORS

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering an investment in the New Ordinary Shares is prohibited. By accepting delivery of this document, each offeree of the New Ordinary Shares agrees to the foregoing.

The New Ordinary Shares and the distribution of the Application Form and this document are subject to the restrictions set out in Part XI (*Terms and Conditions of the Capital Raising*). No action has been taken by the Company, Rothschild & Co or by the Joint Bookrunners that would permit an offer of the New Ordinary Shares or rights thereto or possession or distribution of the Application Form or this document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the UK.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or its own legal, financial or tax adviser for legal, financial or tax advice. In making an investment decision, each investor must carry out their own examination, analysis and enquiry of the Company in respect of the New Ordinary Shares, including the merits and risks involved.

The investors also acknowledge that: (i) they have not relied on Rothschild & Co or the Joint Bookrunners or any person affiliated with Rothschild & Co or the Joint Bookrunners in connection with any investigation of the accuracy of any information contained in this document or their investment decision; (ii) they have relied only on the information contained in this document; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or its subsidiaries or the New Ordinary Shares or the Equity Issuance (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, Rothschild & Co or the Joint Bookrunners.

Without limitation, the contents of the Group’s websites (other than the information as set out in Part XIX (*Documents incorporated by reference*)) do not form part of this document.

INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the New Ordinary Shares have been subject to a product approval process, which has determined that the New Ordinary Shares are: (a) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in Chapter 3 of the FCA Handbook Conduct of Business Sourcebook; and (b) eligible for distribution through all permitted distribution channels (the “**Target Market Assessment**”). Notwithstanding the Target Market Assessment, “distributors” (for the purposes of the UK Product Governance Requirements) should note that: the price of the New Ordinary Shares may decline and investors could lose all or part of their investment; the New Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the New Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to any contractual, legal or regulatory selling restrictions in relation to the offer of New Ordinary Shares. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Joint Bookrunners will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (i) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A, respectively, of the FCA Handbook Conduct of Business Sourcebook; or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to, the New Ordinary Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the New Ordinary Shares and determining appropriate distribution channels.

The date of this document is 7 April 2022.

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PART I

SUMMARY

1. INTRODUCTION AND WARNINGS

Details of the issuer: The issuer is Marshalls plc, a public limited company incorporated in England and Wales with registered number 05100353. The Company's registered office is Landscape House, Premier Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9HT. Its telephone number is +44 (0)1422 312000 and the legal entity identifier of the Company is 213800S21IFC367J5V62.

Details of the securities: On Admission, the New Ordinary Shares will be registered with an ISIN of GB00B012BV22 and a SEDOL of B012BV2. The New Ordinary Shares will be traded on the main market for listed securities of the London Stock Exchange under the ticker symbol "MSLH".

Details of the FCA: The head office of the FCA is at 12 Endeavour Square, London, E20 1JN. The telephone number of the FCA is +44 (0)20 7066 1000. This document was approved by the FCA on 7 April 2022.

Warnings: This summary should be read as an introduction to this document. Any decision to invest in the New Ordinary Shares should be based on a consideration of this document as a whole by the investor. The investor could lose all or part of their invested capital. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document, or where it does not provide, when read together with the other parts of this document, key information in order to aid in considering whether to invest in the New Ordinary Shares.

2. KEY INFORMATION ON THE ISSUER

2.1 Who is the issuer of the securities?

The Company was incorporated in England and Wales on 13 April 2004 as a private limited company under the name Ever 2338 Limited with registered number 05100353. On 30 April 2004, the Company changed its name from Ever 2338 Limited to Marshalls Group Limited. On 5 May 2004, the Company re-registered as a public limited company and changed its name to Marshalls Group plc, before changing its name on 8 July 2004 to Marshalls plc. The legal entity identifier of the Company is 213800S21IFC367J5V62. The Company's domicile is the UK and it operates under the laws of England and Wales.

Principal activity: Marshalls is a complete external landscaping, paving and flooring products business, from planning and engineering, to guidance and delivery. The Group has manufacturing plants, quarries and distribution sites across the UK. Marshalls also has a manufacturing and trading operation in Belgium. The Group operates in three end-markets: domestic, public sector and commercial, and international.

Major shareholders: As at the Latest Practicable Date, the Company had been notified in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules of the following interests in its existing ordinary shares:

	Number of Ordinary Shares	Percentage of voting rights
abrdn	32,486,153	16.24
BlackRock	13,524,207	6.76
Montanaro Investment Managers	10,275,000	5.14
Vanguard Group	8,670,831	4.33
AXA Framlington Investment Managers	8,531,123	4.26
JP Morgan Asset Management	8,440,321	4.22
Royal London Asset Management	8,340,563	4.17
Lansdowne Partners	7,967,916	3.98
Legal and General Investment Management	7,073,244	3.54
Redwheel	6,779,659	3.39

Key managing directors: The Executive Directors are Martyn Coffey (Chief Executive), Justin Lockwood (Chief Financial Officer) and Simon Bourne (Chief Operating Officer).

Statutory auditor: Deloitte LLP is the statutory auditor of the Company and is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Its business address is New Street Square, London EC4A 3HQ, United Kingdom and it has no material interest in the Company or the Group.

2.2 What is the key financial information regarding the issuer?

Selected historical key financial information for the Group: The tables below set out selected financial information for the Group as at and for the financial years ended 31 December 2020 and 31 December 2021.

	Year ended 31 December 2021 (£ million)	Year ended 31 December 2020 (£ million)
Revenue	589.3	469.5
Operating profit	76.2	9.4
Profit before taxation	69.3	4.7
Adjusted profit before taxation	72.1	22.5
Profit for the year	54.9	2.6
Adjusted profit for the year	57.1	17.3
Basic earnings per share	27.5p	1.2p
Adjusted basic earnings per share	28.6p	8.6p
Diluted earnings per share	27.4p	1.2p
Non-current assets	332.7	324.4
Current assets	263.2	290.0
Total assets	595.9	614.4
Non-current liabilities	(101.0)	(169.4)
Current liabilities	(150.6)	(157.2)
Total liabilities	(251.6)	(326.6)
Net assets	344.3	287.8
Net cash flows from operating activities	65.5	12.4
Net cash flows from investing activities	(7.0)	(3.3)
Net cash flows from financing activities	(120.9)	41.4

This financial information has been extracted without material adjustment from the audited consolidated financial statements for the Group as at and for the financial years ended 31 December 2020 and 31 December 2021, which have been incorporated by reference as set out in Part XIX (*Documents incorporated by reference*) of this document. Shareholders should read the whole of this document and not just rely on the summarised financial information set out in Part I (*Summary*) of this document.

There has been no significant change in the financial position or financial performance of the Group since 31 December 2021, the date to which the Group's latest audited year-end financial information was published.

Selected historical key financial information for the Marley Group: The tables below set out selected financial information for Marley Limited for the financial years ended 31 December 2019, 2020, and 2021, and for Marley Group plc for the 73-week period ended 31 December 2020 and the financial year ended 31 December 2021.

	Marley Limited			Marley Group plc		
	Year ended		Year ended	Year ended	73-week	
	31 December	31 December	31 December	31 December	31 December	
	2021 (£ '000)	2020 (£ '000)	2019 (£ '000)	2021 (£ '000)	2020 (£ '000)	
Revenue	159,000	120,745	143,548	172,622	165,845	
Operating profit	42,560	20,727	22,043	25,255	11,433	
Profit/(Loss) before taxation	43,752	21,911	21,853	477	(24,121)	
Profit/(Loss) for the period	35,847	21,372	17,224	(12,675)	(26,571)	
Non-current assets	71,843	63,468	65,410	216,085	222,301	
Current assets	72,177	83,691	70,310	75,324	56,641	
Total assets	144,020	147,159	135,720	302,409	278,942	
Non-current liabilities	(5,510)	(2,163)	(2,763)	(292,361)	(273,782)	
Current liabilities	(31,920)	(29,168)	(38,501)	(45,871)	(30,245)	
Total liabilities	(37,430)	(31,331)	(41,264)	(338,232)	(304,027)	
Net assets/liabilities	106,590	115,828	94,456	(35,823)	(25,085)	
Net cash generated from/(used in) operating activities	34,028	28,000	25,995	26,497	30,028	
Net cash generated from/(used in) investing activities	(34,858)	(25,664)	(5,374)	(11,490)	(224,605)	
Net cash generated from/(used in) financing activities	(291)	(7,801)	6,688	(14,680)	216,421	
There has been no significant change in the financial position or financial performance of the Marley Group since 31 December 2021, the date to which the latest audited historical financial information has been prepared.						
Unaudited pro forma financial information: The tables below set out selected pro forma financial information for the Enlarged Group, illustrating the impact of the Acquisition, the Equity Issuance and the Debt Financing (i) on the consolidated net assets of the Group as at 31 December 2021 as if they had taken place at that date and (ii) on the consolidated income statement of the Group for the year ended 31 December 2021 as if they had taken place on 1 January 2021.						
	Group (£000s)	Marley Group (£000s)	Net proceeds from the Debt Financing (£000s)	Net proceeds from the Equity Issuance (£000s)	Acquisition adjustment (£000s)	Pro forma Enlarged Group (£000s)
Total non-current assets	332,742	216,085	—	—	339,139	887,966
Total current assets	263,230	86,324	210,000	183,863	(400,419)	342,998
Total assets	595,972	302,409	210,000	183,863	(61,280)	1,230,964
Total non-current liabilities	(101,021)	(292,361)	(210,000)	—	260,932	(342,450)
Total current liabilities	(150,634)	(45,871)	—	—	(26,200)	(222,705)
Total liabilities	(251,655)	(338,232)	(210,000)	—	(234,732)	(565,155)
Net (liabilities)/assets	344,317	(35,823)	—	183,863	173,452	665,809
Revenue	589,264	172,622	—	—	—	761,886
Net operating costs	(513,041)	(147,367)	—	—	7,813	(652,595)
Operating profit	76,223	25,255	—	—	7,813	109,291
Net financial costs	(6,901)	(24,778)	19,948	—	—	(11,731)
Profit before tax	69,322	477	19,948	—	7,813	97,560
Income tax expense	(14,424)	(13,152)	(3,790)	—	(1,484)	(32,850)
Profit after tax	54,898	(12,675)	16,158	—	6,329	64,710

2.3 What are the key risks specific to the issuer?

- The Acquisition and the Equity Issuance are conditional on certain conditions that may not be satisfied.
- The Group and the Marley Group are dependent on the level of activity in their end markets. Accordingly, the Enlarged Group will be susceptible to any deterioration in UK or global construction activity, economic downturn, the impact of Government policy,

increased interest rates, exchange rate fluctuations, geo-political conditions (including the Ukraine-Russia conflict), volatility and/or price increases in the UK or global energy markets, volatility in world markets and any continuing issues associated with the COVID-19 pandemic. In addition, shortages of materials and labour availability are causing significant inflation. Such changes in macroeconomic and political conditions may substantially and adversely affect the business, financial and operating performance of the Enlarged Group.

- The Group and the Marley Group operate under significant competitive pressures. Competitors may foresee the course of market development more accurately than the Group or the Marley Group does, provide superior service, sell preferable products, possess the ability to manufacture or supply similar products and services at a lower cost, develop a more comprehensive product portfolio, establish stronger relationships with customers and channel partners, adapt more quickly to new technologies or evolving customer requirements, manage customer relationships during product shortages more effectively, build a superior sales and distribution network or obtain access to financing on more favourable terms. As a result, the Group, the Marley Group and, following Completion, the Enlarged Group may not be able to compete successfully.
- Any change in the commercial terms made available by the Group's and the Marley Group's key suppliers could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects to the extent that the Enlarged Group is not able to pass on any increased costs to its customer pricing. The ability to secure raw materials on commercially acceptable terms may also be impaired by the general shortage of certain raw materials facing the manufacturing and construction industry.
- Both the Group and the Marley Group have established target levels of raw materials and finished products that they endeavour to keep available to meet projected demand. However, forecasts are not always accurate and changes in the availability of supply of raw materials (including due to general industry shortages), manufacturing levels for finished products and/or demand for products (whether because of a change in preferences or otherwise), can lead to increased or decreased levels of inventory.
- The Group and Marley Group are, and the Enlarged Group will be, dependent on its IT systems to support its business activities and is exposed to risks of failure in the operation of these systems (including threats of cyber-crime). Disruptions to, or interruptions in operations could lead to production downtime which, in turn, could result in lost revenue. In addition, there is a risk of reputational harm, financial harm or liability if confidential information were to be misappropriated from the IT systems.
- The Enlarged Group may incur material additional costs and expenses relating to compliance with future environmental laws and regulations. These measures may also have the potential to increase the costs of the Enlarged Group's suppliers and, as a consequence, their business. These additional costs and expenses could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.
- The Group may incur significant transaction costs in connection with the Acquisition, which may be higher than anticipated.

3. KEY INFORMATION ON THE SECURITIES

3.1 What are the main features of the securities?

Type, class and ISIN of the securities: The New Ordinary Shares will be fully paid ordinary shares traded on the main market for listed securities of the London Stock Exchange under the ticker symbol "MSLH". On Admission, the New Ordinary Shares will be registered with an ISIN of GB00B012BV22 and a SEDOL of B012BV2.

Currency, denomination and par value of the securities: The New Ordinary Shares are denominated in pounds sterling with a par value of 25 pence each.

Number of issued and fully paid securities: 24,092,457 New Ordinary Shares are expected to be issued by the Company as Consideration Shares pursuant to the Acquisition. The Company will also issue 13,435,487 New Ordinary Shares pursuant to the Firm Placing and 15,388,627 New Ordinary Shares pursuant to the Placing and Open Offer. In total, the Company is expected to issue 52,916,571 New Ordinary Shares in the Equity Issuance. As at the Latest Practicable Date, there were 200,052,157 Existing Ordinary Shares in issue.

Rights attaching to the securities: All New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Ordinary Shares. On a show of hands at general meetings of the Company, every Shareholder who is present in person and every person holding a valid proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per New Ordinary Share.

Rank of securities in the Company's capital structure: The New Ordinary Shares do not carry any rights to participate in a distribution of capital (including on a winding-up) other than those that exist as a matter of law. The New Ordinary Shares and the Existing Ordinary Shares will rank *pari passu* in all respects.

Restrictions on free transferability of securities: The New Ordinary Shares are freely transferable and there are no restrictions on transfer of the New Ordinary Shares in the UK.

Dividend or payout policy: The Group continues to maintain a progressive dividend policy with the objective of achieving up to two times dividend cover over the business cycle. As earnings increase the Group plans to share the increase between strengthening cover and progressively raising the rate of dividend.

3.2 Where will the securities be traded?

Application will be made to the FCA for the New Ordinary Shares to be listed on the premium listing segment of the Official List of the FCA and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. No application has been made or is currently intended to be made for New Ordinary Shares to be admitted to listing or trading on any other exchange.

3.3 What are the key risks that are specific to the securities?

- Prospective investors should be aware that the value of an investment in the Company may go down as well as up and any fluctuations may be material. The market value of the Ordinary Shares can fluctuate substantially and may not always reflect the underlying value or prospects of the Group.
- There is no assurance that the public trading market price of the Ordinary Shares will not decline below the Offer Price.
- Following the issue of the New Ordinary Shares to be allotted pursuant to the Capital Raising, Shareholders not participating in the Firm Placing will experience dilution in their ownership of the Company. In addition, the issue of Consideration Shares will, and any future issue of shares may, further dilute the holdings of the Shareholders.
- The Company is not able to guarantee that an interim and/or final dividend will always be paid to Shareholders.
- There is no guarantee that there will be sufficient liquidity in the Ordinary Shares to sell or buy any number of Ordinary Shares at a certain price level.

4. KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND/OR THE ADMISSION TO TRADING ON A REGULATED MARKET

4.1 Under which conditions and timetable can I invest in this security?

(A) General terms, conditions and expected timetable of the offer

Firm Placing: The Company has conditionally raised £87,330,666 (gross) through the Firm Placing of 13,435,487 New Ordinary Shares at the Offer Price to the Firm Placees. The Firm Placing is not subject to clawback. The Firm Placing is subject to the same conditions and termination rights which apply to the Placing and Open Offer.

Open Offer: The Company intends to raise approximately £100,026,076 (gross) through the Open Offer of 15,388,627 Open Offer Shares at 650 pence per Open Offer Share. Subject to the fulfilment of the conditions below, Qualifying Shareholders are being given the opportunity to subscribe for Open Offer Shares *pro rata* to their existing shareholdings on the basis of 1 Open Offer Share each for every 13 Existing Ordinary Shares held by them and registered in their names at the Record Time and so in proportion to any other number of Existing Ordinary Shares then held. Fractions of Open Offer Shares will not be allotted and each Qualifying Shareholder's Open Offer Entitlements will be rounded down to the nearest whole number. Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' Open Offer Entitlements and will be aggregated and made available under the Excess Application Facility. The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Such applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Open Offer Entitlements in full or in respect of the aggregated fractional entitlements to Open Offer Shares. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, at their absolute discretion, and no assurance can be given that the application by Qualifying Shareholders for Excess Open Offer Shares will be met in full or in part or at all.

Placing: Any New Ordinary Shares which are not applied for under the Open Offer (including the Excess Application Facility) will be allocated to Conditional Placees pursuant to the Placing. The Company has conditionally placed 15,388,627 New Ordinary Shares at the Offer Price with Conditional Placees on the basis that those Ordinary Shares are subject to clawback under the Open Offer.

Consideration Shares: Pursuant to the Share Purchase Agreement and the Put and Call Option Deed, the Company is expected to issue 24,092,457 Consideration Shares at 680 pence per Consideration Share (with the final number of Consideration Shares to be issued at Completion to be determined under the Share Purchase Agreement).

The Firm Placing and the Placing have been fully underwritten by the Joint Bookrunners, subject to the conditions set out in the Sponsor and Placing Agreement. The Equity Issuance is therefore conditional upon the following: (i) the Resolution being passed by Shareholders at the General Meeting; (ii) the Share Purchase Agreement becoming unconditional (other than in respect of the Admission of the New Ordinary Shares); (iii) the Sponsor and Placing Agreement becoming unconditional; and (iv) Admission of the New Ordinary Shares becoming effective by no later than 8.00 a.m. on 29 April 2022 or such later time and/or date as the Company and the Joint Bookrunners may agree. Accordingly, if any of such conditions are not satisfied, or, if applicable, waived, the Equity Issuance will not proceed. In such circumstances, application monies will be returned without payment of interest, as soon as practicable thereafter.

(B) Details of admission to trading on a regulated market

Application will be made to the FCA for the New Ordinary Shares to be listed on the premium listing segment of the Official List and to the London Stock Exchange for these to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission of the New Ordinary Shares will become

effective, and that dealings in the New Ordinary Shares will commence, by 8.00 a.m. on 29 April 2022.

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares and rank in full for all dividends and distributions declared in respect of Ordinary Shares after their issue.

(C) Amount and percentage of immediate dilution resulting from the offer

If a Qualifying Shareholder (who is not a Firm Placee or a Conditional Placee) does not take up any of their Open Offer Entitlements or Excess Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 20.9 per cent. as a result of the Firm Placing, the Placing and Open Offer and the issue of 24,092,457 Consideration Shares.

If a Qualifying Shareholder (who is not a Firm Placee or a Conditional Placee) takes up their Open Offer Entitlements in full (assuming he or she does not participate in the Excess Application Facility), such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 14.8 per cent. as a result of the Firm Placing, the Placing and Open Offer and the issue of 24,092,457 Consideration Shares.

(D) Estimate of the total expenses of the offer

The total estimated costs and expenses of the Capital Raising payable by the Company are approximately £6.9 million (including VAT). Shareholders will not be charged expenses by the Company in respect of the Capital Raising.

(E) Lock-up Deeds

Pursuant to the Lock-Up Deeds, the Sellers have agreed not to dispose of the Consideration Shares within a period of 6 months following Completion (in the case of the Inflexion Funds) and within a period 12 months following Completion (in the case of the Manager Sellers).

4.2 Why is this prospectus being produced?

Reasons for the Equity Issuance: This document has been prepared in connection with the Equity Issuance to be undertaken by the Company. The Company proposes to issue 24,092,457 New Ordinary Shares as Consideration Shares pursuant to the Acquisition, 13,435,487 New Ordinary Shares pursuant to the Firm Placing, and 15,388,627 New Ordinary Shares pursuant to the Placing and Open Offer. In total, the Company proposes to issue 52,916,571 New Ordinary Shares in the Equity Issuance. The Company expects to raise net proceeds of approximately £184 million from the Capital Raising. The aggregate expenses of, or incidental to, the Capital Raising to be borne by the Company are estimated to be approximately £6.9 million. The Firm Placing and the Placing have been fully underwritten by the Joint Bookrunners, subject to the conditions set out in the Sponsor and Placing Agreement. The Company is undertaking the Capital Raising to raise funds to part finance the Acquisition and intends to use the net proceeds for that purpose, with the issue of Consideration Shares and the Debt Financing funding the remainder of the Acquisition.

Material interests: There are no interests, including any conflicting interests, known to the Company that are material to the Company or the Equity Issuance.

PART II

RISK FACTORS

Any investment in the New Ordinary Shares is subject to a number of risks and uncertainties. Accordingly, prior to any such investment in the New Ordinary Shares, prospective investors should carefully consider the risks and uncertainties associated with any such investment, the business of the Group, the Marley Group and, following Completion, the Enlarged Group and the industry in which the Group and the Marley Group currently operate and, following Completion, the Enlarged Group will operate, together with all other information contained in this document, including, in particular, the risk factors described below.

Prospective investors should note that the risks and uncertainties summarised in Part I (Summary) are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the New Ordinary Shares. However, as the risks and uncertainties which the Group, the Marley Group and, following Completion, the Enlarged Group face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks and uncertainties summarised in Part I (Summary) of this document but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which prospective investors may face when making an investment in the New Ordinary Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group, the Marley Group and, following Completion, the Enlarged Group that are not currently known to the Group, or that the Directors currently deem immaterial, may individually or cumulatively also have a material adverse effect on the business, financial condition, results of operations and prospects of the Group, the Marley Group and, following Completion, the Enlarged Group and, if any such risk should materialise, the price of the New Ordinary Shares may decline and investors could lose all or part of their investment. Prospective investors should consider carefully whether an investment in the New Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.

1. RISKS RELATING TO THE ACQUISITION

1.1 **The Acquisition and the Equity Issuance are subject to the satisfaction or waiver, where applicable, of a number of conditions.**

Both the Acquisition and the Equity Issuance are subject to, among other things:

- the Resolution being passed by Shareholders at the General Meeting; and
- the Sponsor and Placing Agreement becoming unconditional.

The conditions to the Sponsor and Placing Agreement are customary and include there being no material breach of warranty contained therein.

There can be no guarantee that the conditions to the Acquisition and Equity Issuance will be met in a timely way or waived, as applicable, on terms acceptable to both the Company and the Sellers, or at all. It may also be the case that the conditions can only be met only after undue diversion of financial resources or management time and attention. If so, the Acquisition and Equity Issuance may be delayed (which would prolong the period of uncertainty for the Company, Sellers and the Marley Group, and may result in additional costs to their businesses), or may not become effective at all, which would result in none of the anticipated benefits of the Acquisition materialising. Under certain circumstances where the conditions to completion are not satisfied and the Share Purchase Agreement is terminated, the Company has agreed to pay a break fee of up to £2,750,000 to Marley Group plc under the Share Purchase Agreement (as described in section 12.1 of Part XVIII (*Additional information*) of this document). Any of these factors could, in turn, result in the Group experiencing negative reactions from the financial markets, its shareholders and its other stakeholders. Each of these scenarios could have a material adverse effect on the share price, business, results of operations, financial condition and/or prospects of the Group and the Marley Group and, if applicable, the Enlarged Group following Completion.

1.2 The Group may incur significant transaction-related and post-Completion costs in connection with the Acquisition, which may be higher than anticipated.

The Group expects to incur a number of costs in relation to the Acquisition, including integration and other post-Completion costs in order to combine successfully the operations of the Group and the Marley Group. These post-Completion costs may exceed those estimated and there may be further additional and unforeseen expenses incurred in connection with the Acquisition. In addition, the Group will incur legal, accounting, financial adviser, sponsor, broker and other transaction fees and costs relating to the Acquisition. Some of these costs will be payable regardless of whether the Acquisition reaches Completion.

1.3 The attention of respective management teams may be diverted away from the Group or the Marley Group by the Acquisition.

The Acquisition has required, and will continue to require (including post-Completion), substantial amounts of both time and focus from the management teams of both the Group and the Marley Group, which could impact their ability to operate each business effectively and efficiently. There is a risk that the challenges associated with managing the Acquisition will result in distractions for the people employed in the respective businesses. Following Completion, the Enlarged Group's management will also be required to devote significant attention and resources to integrating the two businesses and any unforeseen difficulties in the integration may result in increased expenses. These challenges could have a material adverse effect on the business, results of operations, financial condition and/or prospects of the Enlarged Group.

1.4 The due diligence performed in respect of the Marley Group may not reveal all of the risks associated with the Acquisition.

The Group has conducted thorough due diligence on the Marley Group that it deemed reasonable and appropriate based on the facts and circumstances applicable to the Acquisition. When conducting due diligence on the Marley Group, the Group was required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues, and outside consultants, legal advisors, accountants and investment banks were involved in the due diligence process. There is a risk that the due diligence performed and/or the disclosures made by the Sellers in respect of the Marley Group on which the Group has relied may not be complete, correct or may not reveal all of the relevant facts that may be necessary or helpful in evaluating all of the risks associated with the Acquisition or the full extent of liability which may arise from such risks. In such circumstances, the Group could assume undisclosed liabilities or further expenditure as a result of the Acquisition or lose customers or employees following the Acquisition. In particular, the Group may assume responsibility for environmental liabilities in relation to the sites of the Marley Group and any tax liabilities and related exposure and penalties relating to any historical non-compliance of the Marley Group. Although the Group has received certain warranty and indemnity protection in the Acquisition (including through warranty and indemnity insurance), this protection and insurance, which is subject to certain limitations, may not cover all such liabilities. If any or all of these risks were to materialise, the result could have a material adverse impact on the Enlarged Group's business, results of operations, financial condition and/or prospects.

1.5 The Enlarged Group may not be able to realise fully the expected benefits of the Acquisition.

There is no assurance that the Enlarged Group will be able to achieve certain or any of the anticipated benefits of the Acquisition or integrate the Marley Group successfully, or that any benefits that do materialise will meet the Group's management or shareholder expectations, and it may take longer than expected to realise any benefits of the Acquisition. In addition, the costs associated with achieving these benefits may exceed expectations. In particular, the financial returns which the Directors expect to achieve as a result of the Acquisition relate to future actions and circumstances which, by their nature, involve assumptions, uncertainties and contingencies. Although the Group does not consider that there are substantive competition issues with the Acquisition of the Marley Group, it is possible that the CMA may take an interest in the Acquisition and this could result in hold separate arrangements that delay or prevent the successful integration of the Marley Group. As a result of such issues, the anticipated benefits may not be

achieved, or those achieved could be materially delayed or different from those anticipated. This could adversely impact the Enlarged Group's business, financial condition, results of operations and future prospects.

1.6 The Enlarged Group will have increased debt financing.

Following Completion, the Enlarged Group will have additional indebtedness due to entering into new acquisition financing for the acquisition of Marley and the refinancing of its existing debt facilities. The Enlarged Group accordingly will be required to service interest payments in respect of the increased indebtedness. Looking beyond the 12 months following the date of this document, and while not expected in the foreseeable future, any failure to make payments when due could result in a default under the relevant financing arrangement which could in turn have a material adverse effect on the Enlarged Group's business, financial condition, results of operation and prospects.

1.7 The business relationships of the Marley Group in particular may be disrupted due to the Acquisition, and existing customers or suppliers of the Marley Group may seek to amend or terminate contracts as a result of the Acquisition.

The Acquisition may result in customers or suppliers of the Marley Group seeking to change the commercial terms under prevailing contracts, terminating the contracts early or failing to renew the contracts at a future date, each of which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and future prospects. As the Acquisition remains subject to a number of conditions and Completion is therefore subject to uncertainty, the Marley Group's customers and suppliers may decide to delay or defer decisions relating to the Marley Group until after Completion, which could adversely impact the Marley Group's business, financial condition, results of operations and future prospects in the period prior to Completion.

2. RISKS RELATING TO THE GROUP, THE MARLEY GROUP AND/OR THE ENLARGED GROUP'S BUSINESS AND OPERATIONS

2.1 The Group and the Marley Group are and, following Completion, the Enlarged Group will be dependent upon their suppliers, and any failure to secure raw materials on commercially acceptable terms could have a material adverse effect on the Enlarged Group's business, results of operations and financial condition.

The Group sources the raw materials and traded items for its products from a wide range of third party suppliers across the world. For example, in 2020, the Group spent £183 million on raw materials and traded items, and the largest 200 suppliers together accounted for approximately 83% per cent of total spend with the top six representing c. 50% of that £183 million spend. The Group procures from almost every major construction products raw material supplier in the UK, including five major cement suppliers and over 50 aggregates & sand suppliers. The strategy is to procure as locally as possible to the Group's manufacturing sites whilst ensuring the optimum material quality, service, product aesthetic and operational performance. For traded items, the annual expenditure is heavily concentrated on a single major overseas supplier. The Group generally procures its raw materials (including cement, sand, packaging, imported natural stone, pigments and energy) on contracts lasting at least one year. In certain cases, the relevant supplier is entitled to increase prices in respect of future supplies even within the contract period or agreed price period due to *force majeure* or with reference to agreed macro-economic indices.

The Marley Group sources the raw materials for its products from a limited number of third party suppliers. Marley Limited's largest 20 suppliers together accounted for approximately 52 per cent. of its total cost of sales in the financial year ended 31 December 2021 (compared to 55 per cent in the financial year ended 31 December 2020). The Marley Group sources its clay from one clay supplier, cement from three cement suppliers and timber from approximately 80 timber suppliers. In addition, there are only a limited number of suppliers in respect of certain raw materials for which there are very few substitutes available to the Marley Group. While the Marley Group generally procures its raw materials (including cement, clay, sand, transport and energy)

on contracts of at least one year, in certain cases the Marley Group's suppliers are entitled to increase prices in respect of future supplies to the Marley Group.

Any change in the commercial terms made available by the Group's and the Marley Group's key suppliers, or the adequate availability of raw materials themselves, could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects to the extent that the Enlarged Group is not able to pass on any increased costs by way of price increases. The ability to secure raw materials on commercially acceptable terms, or at all, may also be impaired by the general shortage of certain raw materials facing the manufacturing and construction industry, including in relation to cement, timber, pigments, paints and some polymers. For instance, global shortages in the supply of timber (an essential input for Marley's timber roofing battens, comprising 23.7 per cent. of its vendor purchases for the financial year ended 31 December 2021) has resulted in the price of timber increasing by 108.4 per cent. between Q4 2020 and Q4 2021. Such global materials shortages, and the associated increases or volatility in prices, could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects to the extent that the Enlarged Group is not able to pass on any such increased costs to its customers.

2.2 Any failure by the Group or the Marley Group to effectively manage its raw material and product inventory, including as a result of supply chain disruption, may have an adverse impact on the Enlarged Group's business.

Both the Group and the Marley Group have established target levels of raw materials and finished products that they endeavour to manufacture to meet projected demand. However, forecasts are not always accurate and unexpected changes in the availability of supply of raw materials, manufacturing levels for finished products and/or demand for products (whether because of a change in preferences or otherwise), can lead to increased or decreased levels of inventory.

As at 31 December 2021, the Group held inventory of approximately £107.4 million (compared to £89.8 million as at December 2020). The Marley Group has experienced reduced levels of inventory during financial years ended 31 December 2020 and 2021 as a consequence of COVID-19 lockdowns. Compared to inventory of £22.7 million held on 31 December 2019, as at 31 December 2020 and 31 December 2021, Marley Limited held inventory of £15.8 million and £20.5 million, respectively. Reduced levels of inventory may impact upon the Marley Group's ability to sell certain products in the volumes requested by its customers in the short term.

Furthermore, the Enlarged Group will be susceptible to the interruption of supply or the receipt of sub-standard raw materials from their key third party suppliers. Difficulties encountered with suppliers may result in disruptions in the Enlarged Group's operations, loss of profitability and damage to its reputation. Supply interruptions could arise from the general shortage of certain raw materials facing the manufacturing and construction industry, including in relation to cement, timber, pigments, paints and some polymers. Interruptions could also arise from shortage of labour, strikes, transportation disruptions (including border checks or restrictions), impaired financial condition or potential bankruptcy of suppliers, adverse weather conditions or other natural disasters. In particular, any such disruption may be difficult to mitigate in respect of certain raw materials for which there are only a limited number of suppliers available. While the Directors believe that the Enlarged Group would be able to replace any of the third party suppliers, any cessation of its existing supply arrangements would likely involve additional outlays (such as increased haulage costs in relation to sand) and some business disruption given the need for appropriate testing prior to the incorporation of raw materials from new suppliers into the production process.

Accordingly, any inability to access raw materials or to manage the Group's or the Marley Group's current and/or future inventory could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

2.3 The Group and Marley Group are, and the Enlarged Group will be, dependent on its IT systems, including digital infrastructure, applications and networks, to support its

business activities and is exposed to risks of failure in the operation of these systems (including threats of cyber-crime).

Both the Group and the Marley Group rely on the proper operation, performance and development of their respective IT systems and processes to carry on their businesses.

The Enlarged Group may be subject to information technology system failures and network disruptions. These may be caused by delays or disruptions due to system updates, natural disasters, malicious attacks, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins or similar events or disruptions. While the Group has business continuity plans in place, an interruption in the operation of computer or data processing systems could adversely affect its ability to efficiently maintain its production, financial, sales and distribution processes and to ensure adequate controls. Disruptions to, or interruptions in operations could lead to production downtime which, in turn, could result in lost revenue. Any one or more of these risks, if they were to materialise, could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

In addition, the Group and the Marley Group hold sensitive employee information and customer data obtained in the course of their business, in addition to their respective intellectual property and market influencing data, and could be subject to reputational harm, financial harm or liability if such confidential information were misappropriated from the information technology systems. Despite any security measures and business continuity plans, the Enlarged Group's systems could be vulnerable to disruption, and any such disruption and the resulting fall-out could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

2.4 The Group, the Marley Group and, following Completion, the Enlarged Group may suffer reputational damage as a consequence of actual or perceived failures in their approach towards environmental, social, and corporate governance ("ESG") matters, including in relation to energy usage and cement carbon impact.

The Group's businesses are subject to a broad and increasingly stringent range of environmental, health and safety laws as well as building, product and other laws, regulations and standards in the jurisdictions in which it operates. Decarbonisation is a key commitment of the Group and it has sought to implement robust ESG and sustainability policies across the value chain (including the use of renewable energy sources). However, given the nature of its operations and the increasing focus on and heightened awareness of ESG issues by investors and consumers alike, there is a risk that the Group, the Marley Group and, following Completion, the Enlarged Group could face negative feedback from stakeholders on this matter.

Accordingly, any actual or perceived deficiency in the Group's or the Marley Group's or their suppliers' efforts to reduce greenhouse gas emissions ("GHGs"), satisfy existing ESG-related accreditations or emission reduction targets or increase the use of sustainable materials could adversely impact the Enlarged Group's business and reputation. The cost impact of such efforts (and implementing environmental protocols or mitigation programmes) could also lead to increasingly expensive processes. Any of these factors could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

2.5 Any inability to attract and retain talent (including key management) could have a material adverse effect on the Group, the Marley Group and, following Completion, the Enlarged Group.

The recruitment and retention of talent is fundamental to growing revenues, strengthening customer relationships, growing market share and delivering the Group's and the Marley Group's strategy, as well as for the successful integration of the Marley Group. Failure to effectively recruit and retain talent may result in a deterioration in competitive advantage, resulting in a material impact on the business, financial condition, results of operations and prospects of the Group, the Marley Group and the Enlarged Group. The impact of COVID-19 has created new challenges for employees that could affect staff performance and turnover, with changed working requirements, health and safety regulations and operational working practices. These include issues that could give rise to heightened employee wellbeing issues and risks to mental health.

In addition, the Group and the Marley Group's future success is, in part, dependent on the continued services and performance of its respective senior management teams ("Senior Management"). Members of Senior Management have significant experience at the Group or Marley Group (as applicable) and/or knowledge of its industry. However, there can be no assurance that members of Senior Management will continue working at the Group and the Marley Group respectively, and are generally entitled to resign from their position by giving not less than six months' or one year's notice (and there can be no assurance that it will be possible to enforce any "non-compete" restrictive covenants against them). The Group and the Marley Group does not maintain key employee insurance in respect of such persons.

In addition, the Group and the Marley Group may face challenges in attracting suitably qualified new senior management team members. The departure of any member of Senior Management without an adequate replacement being in place or available may have a material adverse effect on the Enlarged Group's business, results of operations and financial condition.

2.6 The Group's and the Marley Group's brand and customer satisfaction are fundamental to their performance, and any deterioration in the brand or customer satisfaction may have a material adverse impact on the business, operating results, financial condition or prospects of the Enlarged Group.

The Group's commercial strategy is centred around getting its products specified and keeping this specification and both the Group and the Marley Group seek to generate "pull demand" for their branded products. The sales teams of the Group and the Marley Group focus on both key 'specifiers' and influencers (e.g. housebuilders, planners, councils, contractors, roofing contractors, ground workers, domestic installers, engineers, architects and consumers) to generate this demand. The business and strategy of both the Group and the Marley Group are dependent on the maintenance of the strength and integrity of their brands. Any actual or perceived quality deficiency (including amongst key specifiers, influencers and end-customers) could adversely impact sales and marketing efforts, as well as demand for products. In particular, any deterioration in the Group's or the Marley Group's reputation may impact on its ability to maintain current prices, including passing on any cost increases to its customers. The Marley Group may also be subject to misattributed reputational damage from any improper conduct undertaken by Marley Building Systems Proprietary Limited, Marley Plastics Limited or Marley SA (Pty) Limited, which, as a result of such entities not forming part of the previous carve-out acquisition, do not themselves form part of the Marley Group but which have retained certain intellectual property rights in relation to the Marley brand.

Due in part to the consolidated nature of the market, both the Group and the Marley Group have a number of key customers, particularly national merchants. For example, in 2021 the Company's top ten customers in its landscape products business accounted for over 70% of the sales. The loss of a significant customer could therefore have a significant adverse effect on the financial results of the Group or the Marley Group.

The Enlarged Group will also be exposed to the risk that product defects, litigation, employee misconduct, operational failure or governance, the outcome of regulatory or other investigations or actions, health and safety incidents, the reputations and actions of their channel partners, suppliers or competitors, press speculation, negative publicity or negative customer reviews (including through the proliferation of social media and consumer groups), data protection failures, complaints about their products, whether or not founded in fact, could damage the Enlarged Group's brand and reputation, which may in turn have an adverse impact on its business and its ability to execute its demand generation strategy.

2.7 Disruption to road transport systems or the availability and cost of haulage could have a material adverse effect on the Group, the Marley Group and, following Completion, the Enlarged Group.

The Group relies on road transport systems to distribute its products and has manufacturing plants, quarries and distribution sites across the UK in order to facilitate distribution. The Group benefits from having its own vehicle fleet for the delivery of certain products, though is still subject to the availability and variable cost of HGV drivers, fuel costs and the availability and cost of third party hauliers for the proportion of its products not distributed by its own fleet.

The Marley Group also relies heavily on road transport systems to source raw materials from suppliers, relocate its products from its manufacturing facilities and distribute its products to customers, with the Marley Group outsourcing all of its transportation requirements for stock transfers and customer delivery to third party hauliers. The cost of such third party haulage comprised approximately 14.0 per cent. of Marley Limited's vendor payments for the financial year ended 31 December 2021 (compared to 18.8 per cent for the financial year ended 31 December 2020). The Marley Group has recently increased the price of its roof tiles, fittings and accessories, with effect from 1 September 2021, as a result of increased haulage costs and issues surrounding the availability of drivers and vehicles.

Any prolonged disruption to road transport systems, including the availability and cost of vehicle fuel or drivers may hinder the Enlarged Group's ability to meet delivery schedules, creating backlogs that could take time and additional resources to clear. Any failure to deliver the Enlarged Group's products to customers within appropriate timeframes could potentially result in a loss of customers and/or additional costs for replacement delivery services. Failure to meet customer expectations could also adversely impact the brand of the Enlarged Group. As a result, the disruption of road transport systems could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

2.8 Delays or failure to deliver on strategic business projects could have a material adverse effect on the Group and, following Completion, the Enlarged Group.

There may be delays or failure to deliver major development projects, from initial scoping to final delivery, which carries the risk that the Group may not realise the expected benefits from such projects. The extent and complexity of any strategic business project may cause delays and inefficiencies in resource allocation, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects. For example, the Group is currently constructing a new dual block plant at its production facility in St Ives, Cambridge with a total investment of c.£24 million. This is scheduled to be substantially completed in 2022 but is dependent on external suppliers and service providers. The Directors believe this plant will drive the production of "value add" higher margin products. Any delay to this project will impact sales and margin in 2023 and beyond. Also delay to the project may result in cost overruns and therefore affect the expected return on investment.

2.9 The Group's and the Marley Group's business may be adversely affected by unexpected or prolonged periods of inclement or severe weather, which may have a negative impact on the Enlarged Group's business, results of operations and financial condition.

The increased frequency and impact of extreme weather events, such as flooding, drought and coastal erosion, and prolonged periods of inclement weather may create adverse working conditions which could give rise to disruption and delays that reduce short-term activity levels, and therefore sales and production volumes.

Sales of the Group's and the Marley Group's products are seasonal in that sales are generally higher from spring to autumn when construction activity is at its highest due to longer daylight hours and more stable weather. As a result, financial performance varies from quarter to quarter and unexpected or prolonged periods of severe weather in the UK can have a significant effect on construction (including during spring to autumn), which could reduce demand for the Group's or the Marley Group's products or push back orders already received to later dates. In most cases, such demand for the Group's or the Marley Group's products is deferred, rather than being 'caught-up' in subsequent periods.

In addition, the Group's and the Marley Group's ability to deliver its products to its customers, either at the merchant's yard or directly to site, can be significantly impeded by severe weather, leaving both equipment and personnel under-utilised and customers waiting longer than expected for their orders, which not only results in additional costs but can have a material adverse effect on relationships with its customers, reputation and on the Group's, the Marley Group's and the Enlarged Group's business, financial condition, results of operations and prospects.

2.10 Collective bargaining agreements, industrial action and other labour relations matters may have an adverse impact on the Group's, the Marley Group's and, following Completion, the Enlarged Group's business.

There are currently two trade unions recognised by the Group, being Unite and GMB, which represent a proportion of the Group's workforce. Although the Group is dedicated to fostering strong employee and union relationships, there is a risk that any measures implemented by the Group will not be sufficient to prevent disagreement. For example, in December 2021, Unite alleged that the Group threatened to terminate the employment of and then subsequently rehire more than 1,500 workers for the purpose of getting them to sign new contracts. Unite also alleged that the Group had issued redundancy notices without attempting to enter into negotiations with them. Although the Directors do not agree with these allegations (the Group has entered into a consultation programme with employees to standardise the terms and conditions of work, rather than immediately seeking to terminate and rehire workers), there is a risk that any allegation or perception that the Group uses unfair employment practices may cause reputational or labour relations damage.

The Marley Group recognises the same two trade unions: GMB in relation to the Glasgow site, and the Beenham site, and Unite in relation to the Burton site and the Keele site. The union arrangements cover all hourly paid employees at the relevant locations (comprising approximately 49 per cent. of the Marley Group's employees as at 31 December 2021). The trade union arrangements provide for a broad range of protections, including the ability for the relevant union to negotiate rates of pay, holiday and working hours. Union-organised work stoppages have occurred at Beenham in the past and, although minor, such stoppages (whether minor or otherwise) may occur again in the future (including at the Marley Group's other manufacturing or distribution facilities).

While the current pay agreements are in place at all Marley Group sites until January 2024, it is possible that any inability to negotiate acceptable collective bargaining agreements or new pay agreements could cause future strikes or other work stoppages.

In addition, any new agreements could result in increased operating costs, affect the Group's and the Marley Group's production output, hinder the Group's or the Marley Group's ability to fulfil customer orders and limit the Group's or the Marley Group's flexibility in dealing with relevant operational matters. Any of these factors could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

2.11 As the Group, the Marley Group and, following Completion, the Enlarged Group do not operate under long-term volume agreements, sales may fall rapidly in response to declines in demand as customers may be able to cancel existing orders at relatively short notice.

Most of the Group's and Marley Group's sales are undertaken pursuant to purchase agreements with its channel partners which do not contain minimum purchase obligations and are generally renegotiated annually or biannually. As a result, the Group and the Marley Group do not benefit from the visibility provided by long-term volume contracts against downturns in customer demand and sales. Further, there may be circumstances where channel partners are able to cancel orders already placed on short notice, resulting in deviations from original projections.

For instance, channel partners may deliberately over-estimate their demand, or submit orders based on excessively optimistic forecasts, particularly in an attempt to mitigate the current supply shortages and long lead times for certain product lines. As a result, there could be excess supply in the market, which could have a negative impact on pricing as well as volumes, and the Group or the Marley Group may not be able to respond effectively in response to a decline in sales or cancellation of existing orders for products. Lower demand for products and/or cancellations of existing orders submitted by channel partners could materially and adversely impact the Group's, the Marley Group's and/or the Enlarged Group's business, financial condition and results of operations.

2.12 A material disruption at one of the Group's, the Marley Group's and, following Completion, the Enlarged Group's, manufacturing or distribution facilities or at one of their suppliers'

facilities could prevent them from meeting customer demand, reduce their revenue and have a material adverse effect on their results of operations and financial position.

Due to the scale of the Group's operations, it has manufacturing plants, quarries and distribution sites across the UK out of which goods are distributed. Around 97 per cent. of the customers of the Group's landscape products business (which represents more than 80% of Group revenue) are less than two hours away. The Marley Group owns and operates a network of strategically located manufacturing and distribution sites. Any disruption at these manufacturing or distribution facilities could, following Completion, prevent the Enlarged Group from meeting demand or require the Enlarged Group to incur unplanned expenditure or seek to offset it by increasing production at other facilities (which is not always possible).

While the Group's and the Marley Group's manufacturing facilities are generally well-equipped, the equipment required to manufacture certain of their products is highly specialised, and if any of the equipment were to fail, the time required for replacement of such equipment could be lengthy, which could result in extended downtime in the affected facility. For example, disruptions or interruptions in operations of a kiln at the Keele clay tile facility, or in respect of the Marley Group's laser grading machine at its Gainsborough facility, or in respect of the equipment used to manufacture drainage manholes at the Group's Pollington or Mells manufacturing facilities, could significantly disrupt or stop the production process and may take a significant time to remedy. Furthermore, disruption or interruption at one of the sites at which the Group manufactures its landscaping products (such as the concrete brick manufacturing site, Grove, in South Wales), could also cause significant delays and disruption to the production process.

Any such disruptions or failure would affect the Enlarged Group's ability to satisfy customer requirements and could result in decreased satisfaction and have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

2.13 Any failure by the Group or the Marley Group to successfully implement its inorganic growth strategy, including the acquisition and integration of other companies, could have a material adverse effect on its business, operating results, financial condition or prospects.

The Enlarged Group intends to continue to supplement its organic growth strategy through targeted acquisitions. Acquisitions and investments involve numerous risks that vary depending on their scale and nature, including, but not limited to, diversion of management's attention from other operational matters, inability to complete proposed transactions as anticipated or at all and the possibility that the acquired business will not be successfully integrated or that anticipated cost savings, synergies, or other benefits will not be realised. Successful acquisitions are dependent upon the Enlarged Group's ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favourable terms and ultimately complete such transactions and integrate the acquired businesses into the Enlarged Group.

2.14 Any failure by the Group or the Marley Group to successfully implement its organic growth strategy could have a material adverse effect on its business, operating results, financial condition or prospects.

One of the eight priority areas for investment and business focus at the heart of the Group's strategy is new product development. Within the Group, there is a strong focus on innovation and new product development, with £3 million of research and development expenditure in 2021. The development pipeline continues to be strong and the Group is committed to providing sustainable, high performance product solutions. These include investment in technologies to enhance the development of cement-free product solutions.

The Marley Group's growth strategy is also underpinned in part by the use of innovation and brand expansion, whether organically or through acquisition, to facilitate the penetration of adjacent and complementary markets. This could include extending the Marley brand into additional roofing accessories, flat roofing, roofing specification and estimating software.

The successful expansion of the Group's and Marley Group's product base and the realisation of the benefits arising therefrom is based on a variety of assumptions and variables, including among other things, end-consumer preferences, future economic conditions and the trading

performance of the Group and the Marley Group. There can be no assurance that the Group's and the Marley Group's assumptions underpinning plans for the future will prove correct, that benefits will be realised or that strategic goals will be achieved within the estimated costs or timeframes. If the Enlarged Group fails to fully implement its plans, or if the estimated and expected future financial and operational benefits are not achieved, the Enlarged Group's businesses, results of operations, financial condition or prospects may be materially adversely affected.

2.15 The Group and Marley Group are and, following Completion, the Enlarged Group will be exposed to credit risk in respect of its customers.

The Group extends credit terms to its customers for most of its sales requiring payment by the end of the month following the date of the invoice, although the Group may require customers to pay within a shorter time period at any time by written notice. The Marley Group also extends credit terms to its customers for most sales, which can be on payment terms of 30 days (although these may be longer in a very limited number of circumstances). As a result, both the Group and the Marley Group are exposed to the risk that its customers may not pay or may delay payment for the products they purchase.

The Group's and the Marley Group's customers may also initiate payment disputes, including as a result of dissatisfaction with the products supplied. Further, although the Group and the Marley Group have reasonable credit monitoring and evaluation policies in place and arrangements with insurance providers to insure against certain credit risks, there is no guarantee that such arrangements would pre-empt or cover all risks or that such insurance would respond when called upon.

While both the Group and the Marley Group has a history of low credit loss, and therefore no material provision has been made by the Company as at 31 December 2021, there is a risk that the Group's or the Marley Group's estimates may not be accurate, particularly in times of economic uncertainty. As at 31 December 2021, approximately 39.05% of the Group's debtors (equating to approximately £32.9 million) were overdue by 30 days or less and approximately 6.2% of the Group's debtors (equating to approximately £5.2 million) were overdue by more than 30 days (in each case on total trade debtors of approximately £84 million).

If the Group and Marley Group were to experience significant delays in collecting payment for invoiced amounts (particularly in respect of its key trade debtors), or were unable to collect them at all, it may have material adverse effect on the Enlarged Group's business, results of operations and financial condition.

2.16 The Group and Marley Group are and, following Completion, the Enlarged Group will be exposed to foreign exchange risk.

The Group's and the Marley Group's operating results and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the Euro and US Dollar exchange rates to pounds sterling, given that a proportion of the Group's and the Marley Group's procurement arrangements involve payments denominated in currencies other than pounds sterling. While both the Group and the Marley Group enter into hedging arrangements (such as forward exchange contracts) to help manage the impact of foreign currency translation, such activity does not completely eliminate fluctuations in the Group's or the Marley Group's operating results due to currency exchange rate changes.

Both the Group and Marley Group have, to date, generally been able to pass on any additional costs arising from changes in exchange rates to its customers. However, there is no guarantee that the Enlarged Group will be able to do so in the future. Accordingly, in such circumstances, a deterioration in the value of pounds sterling could materially and adversely impact the Enlarged Group's business, financial condition and results of operations.

2.17 Product failure or product recalls could expose the Group, the Marley Group and, following Completion, the Enlarged Group to warranty claims, which may harm the

reputation of the Enlarged Group and negatively impact its business, operating results, financial condition or prospects.

The Group's and the Marley Group's positions as leading providers of landscaping and pitched roofing products respectively in the UK is dependent on the continued performance of those products in the marketplace, particularly in light of warranties given against defects.

Some of the Group's and the Marley Group's products are used in applications where a product failure or defect could result in significant project delay, property damage, personal injury or death or could require significant remediation expenses. Quality control procedures, or those of its material suppliers, may fail to test for all possible conditions of use of, or to identify all defects in the design, engineering or specifications of, the relevant products. The Group's and the Marley Group's products are often incorporated in or affixed to, the building or dwelling. In each case, it may be difficult and therefore costly to access, repair, recall or replace such products.

Additionally, because the Group's and the Marley Group's products, including discontinued products, are long lasting, claims can arise many years after their manufacture and sale. Product failures may also arise due to the quality of the raw materials purchased from third party suppliers. Although the Group and the Marley Group seeks to obtain contractual protection in its contracts with designers and suppliers, and has arrangements with insurance providers to insure against a number of such risks, it may not be able to obtain this protection in all cases or the protection may not cover all risks.

While neither the Group nor the Marley Group has undertaken any general product recalls or recognised any material expenses attributable to warranty claims in the past three financial years, there is no guarantee that this trend will continue in the future. Accordingly, any product failure or product recall could have a material adverse effect on the Enlarged Group's reputation, business, financial condition, results of operations and prospects.

2.18 Insufficient insurance coverage could have a material adverse effect on the Group, the Marley Group and the Enlarged Group.

The Group and the Marley Group maintain property, business interruption, counterparty credit, employee and directors' and officers' insurance coverage that the Directors believe is consistent with industry practice. However, the Group's and the Marley Group's insurance programme may not cover every potential risk associated with their businesses and they may therefore experience accidents or other events that are not covered by insurance in full or at all (for instance, sabotage or pandemic cover or in respect of a terrorist or cyber security attack). In addition, market conditions or any significant claim or a number of claims made by or against the Group or the Marley Group could cause their premiums and deductibles to increase substantially and, in some instances, coverage may be reduced or become unavailable in its entirety. In the future, the Enlarged Group may not be able to obtain meaningful coverage at reasonable rates for a variety of risks, including certain types of environmental hazards and ongoing regulatory compliance. If the Enlarged Group's insurance coverage is insufficient, or if it is not able to obtain sufficient coverage in the future, any resulting costs or liabilities could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

3. RISKS RELATING TO THE GROUP'S, THE MARLEY GROUP'S AND THE ENLARGED GROUP'S INDUSTRY

3.1 The Group's, the Marley Group's and, following Completion, the Enlarged Group's business may be adversely affected by general economic, political and financial market conditions, including shortages of raw materials.

The Group and the Marley Group are dependent on the level of activity in their end markets. Accordingly, the Enlarged Group will be susceptible to any deterioration in UK or global construction activity, economic downturn, the impact of Government policy, increased interest rates, exchange rate fluctuations, geo-political conditions (including the Ukraine-Russia conflict), volatility and/or price increases in the UK or global energy market, volatility in world markets and any continuing issues associated with the COVID-19 pandemic. In addition, shortages of materials and labour availability are causing significant inflation. Such changes in

macroeconomic and political conditions may substantially and adversely affect the business, financial and operating performance of the Enlarged Group. The potential longer-term impact of the UK's departure from the EU and wider global macroeconomic tension and uncertainty could lead to lower activity levels, which could reduce sales and production volumes.

The level of new build and repair, maintenance and improvement ("RMI") construction activity and therefore demand for construction materials and the Enlarged Group's products is influenced by, and sensitive to, a number of factors, resulting in a degree of cyclical. Several macroeconomic factors influence the levels and growth of construction activity, including economic growth, demographic trends, the state of the housing market, mortgage availability, mortgage interest rates, changes in household income, inflation and government policy.

In addition, the construction industry is currently facing a shortage in the supply of certain raw materials, particularly sand and cement, as a result, in part, of the medium-term impact of the COVID-19 pandemic. The risk of market demand exceeding raw material supply could lead to inefficient production, thereby reducing the Enlarged Group's margins. Furthermore, the Directors believe that such restrictions in supply have the potential to create pressures in the construction industry, including cost inflation and construction delays as a result of unavailability of materials. If such pressures result in capital projects no longer being financially viable or result in significant uncertainty in terms of project deliverability, the supply shortage could result in a reduction in the award of construction contracts and consequently demand for the Enlarged Group's products.

The residential construction industry, and the general level of residential and other construction activity (including the need for landscaping and roofing products), depends in part on the UK Government's housebuilding or home buying initiatives, as well as the UK Government's investment in public housing. Any unexpected change in support for, or financing of, such incentive schemes or programmes could result in reduced residential construction activity in the UK, which could, in turn, negatively affect the demand for the Enlarged Group's products in the UK and have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

As a result of such potential adverse changes in the macroeconomic or political climate, including short-term downturns, the Enlarged Group may consequently face decreases in demand for its products, which may result in overcapacity, reduced sales volumes and declining revenue and/or margins. Any deterioration in macroeconomic conditions or the housing market could require the Enlarged Group to reduce production capacity and inventory. Furthermore, any failure to adequately utilise the Enlarged Group's production capacities as a result of low levels of demand could adversely affect its profitability. These factors, if they materialise, or if difficult macroeconomic conditions occur, could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

3.2 The Group and the Marley Group operate and, following Completion, the Enlarged Group will operate under significant competitive pressures (including in respect of industry overcapacity), which could result in a loss of market share in the Great British construction market.

The Group has a number of existing competitors which compete on range, price, quality and service, and they may also develop additional manufacturing capacity or better utilise existing capacity, and industry overcapacity could result in a loss of market share for the Group in the Great British construction market. The Directors believe that there is a risk that potential new low cost competitors may be attracted into the market through increased demand for imported natural stone products, and this increased competition could reduce volumes and margins on manufactured and traded products. The Marley Group faces significant competition from a small and concentrated range of competitors from single site to multi-national operations. Competition among manufacturers is based on price, service, quality, brand, reputation, range of products and product availability, as well as commercial strategy.

Competitors may foresee the course of market development more accurately than the Group or the Marley Group does, provide superior service, sell preferable products, possess the ability to manufacture or supply similar products and services at a lower cost, develop a more

comprehensive product portfolio, establish stronger relationships with customers and channel partners, adapt more quickly to new technologies or evolving customer requirements, manage customer relationships during product shortages more effectively, build a superior sales and distribution network or obtain access to financing on more favourable terms. As a result, the Group or the Marley Group may not be able to compete successfully.

Competitive pressures, including future industry overcapacity, could also lead to pricing pressures in the Enlarged Group's markets. For example, competitors may choose to pursue a volume policy in order to maintain utilisation of their factories to the detriment of upholding prices. In addition, the pricing and production policies of the Enlarged Group's competitors are unpredictable and could frustrate the Enlarged Group's efforts and impact market share. If the Enlarged Group cannot compete effectively in its markets, its business, results of operations and financial condition may be materially adversely affected.

3.3 The Group and the Marley Group and, with the effect from Completion, the Enlarged Group may face increased pressure from imported tiles and products.

In recent years, domestic manufacturing output for tiles has been insufficient to satisfy demand, leading to an increase in tile imports into the Great British market from Northern France and Northern Ireland (despite the limitations in transporting heavy products such as concrete and clay, where the cost of transportation can quickly erode margins). Great British customers may therefore continue to purchase imported landscaping and roofing products if alternative sources of domestic supply are not available.

As such, if the Enlarged Group's production capacity does not increase to meet the higher levels of demand, the Enlarged Group may face increasing levels of competition from such imports, which may result in loss of customers and loss of market share. Competition from imported tiles could also increase pricing pressures due to increased supply and potentially lower prices. Furthermore, imported tiles could be of differing quality or could employ alternative designs and formulations to domestic tiles, causing consumers to favour them over domestic tiles. If the Enlarged Group's products cannot compete effectively with imported tiles and roofing products, its business, results of operations and financial condition may be materially adversely affected.

3.4 The emergence of new products, technologies and business models, and the increased pace of digital change in the market, may have an adverse effect on the Group, the Marley Group and, following Completion, the Enlarged Group.

The development of new construction techniques and materials could affect demand for the Enlarged Group's products. Currently, demand for the Group's products is subject to competition from a number of alternatives. For instance, the Group's concrete pipes can in many instances be substituted by plastic equivalents and its concrete block paving products face competition from a number of alternatives such as tarmac and gravel. In addition, the use of concrete and clay tiles (which are designed for pitched roofing) may not be required to the extent that flat roofing is adopted in the UK. While flat roofing has not been widely adopted in the UK, there is no guarantee that this trend will continue in the future.

Furthermore, new construction techniques and building materials developed in the future may impact demand for the Enlarged Group's products, as there is a reduction in demand for traditional products. As technology, manufacturing processes and construction knowledge develop, so do the number of house construction methods available to homebuilders. These new construction techniques, which aim to offer advantages over traditional methods, are growing in popularity. Additionally, new construction technologies and techniques can offer improvements in relation to the finished look of the product, the ease of manually handling the materials, how environmentally friendly the product is, the speed of installation, the reduction of labour, the ability to source materials, and the availability of expertise and contractors. The Directors believe that any future increase in the use of such construction techniques and materials, as well as the development of further such techniques and materials (such as new lightweight materials), may correspondingly reduce demand for the Enlarged Group's products if it is unable to adequately adapt to any such change in preferences. Such changes in customer preferences may also impact profit margins of the Enlarged Group, since profit margins vary between product lines and

between customers (as a result of pricing and rebate arrangements). Accordingly, if higher margin products became less popular, this could affect the Enlarged Group's profit margins.

The market has also seen a number of digital and technological advances, and if the Enlarged Group fails to react to such developments, there is a risk that a new third party could use emerging digital technology to enter the market and transition more quickly and effectively. There is also a risk that there may be increased costs and production capacity tied up in technologies that have been made redundant. Any of the foregoing or other factors that reduce demand for the Enlarged Group's products could have a material adverse effect on its business, financial condition, results of operations and prospects.

3.5 The Group and the Marley Group are and, following Completion, the Enlarged Group will be exposed to shortages in skilled workers in the construction industry in the UK, including as a result of Brexit and the COVID-19 pandemic.

The UK housing and construction industry relies upon a wide range of skilled workers to manufacture, distribute and install construction products. The Group and the Marley Group is particularly dependent on the availability of haulage drivers to distribute its products, and builders and roofers to install its products. General capacity constraints within the construction industry also have the potential to result in reduced construction activity in the UK.

The Directors believe that one of the primary drivers of this skills shortage is as a result of natural attrition, with new workers entering the market at a slower rate than skilled workers are retiring. The UK construction workforce has decreased from approximately 2.3 million workers in 2017 to 2.1 million at the end of 2020. As experienced construction workers in the UK retire and the number of new trainees and the availability of skilled construction workers declines, it may not be possible to recruit workers with sufficient skill and it may not be possible to pass on the knowledge of those experienced retiring workers to other less experienced workers. The Directors believe that this trend has also been reflected within the haulage industry.

The Directors also believe that migration patterns have negatively impacted the availability of skilled workers in the UK. According to an ONS report published in August 2018 (based on data from the 2011 census), foreign construction workers accounted for 10 per cent. of the construction workforce in the UK. The Directors believe that current political, legal and economic factors such as Brexit and the COVID-19 pandemic have served to reduce the inflow of skilled workers within the construction industry over recent years. Such shortages of sufficiently skilled construction workers could lead to fewer new homes being built in the future than expected and reduced capacity in the RMI market, and therefore reduced demand for the Enlarged Group's products. In addition, if the Group or the Marley Group is unable to secure the services of reliable third party hauliers or HGV drivers due to skills shortages, they may not be able to deliver their products to customers within appropriate timeframes, if at all, which could potentially result in a loss of customers. Failure to meet customer expectations could also adversely impact the brand of the Group or the Marley Group. All of the above factors may have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

4. LEGAL AND REGULATORY RISKS

4.1 The Group, the Marley Group and their suppliers are, and following Completion the Enlarged Group and its suppliers will be, subject to environmental laws and regulations, and any changes to such laws and regulations may have a material adverse effect on the Enlarged Group.

Environmental laws and regulations, including those related to energy use, climate change and other pollutants to air, land and water, have become more stringent over time, and the Enlarged Group could incur material additional expenses relating to compliance with future environmental laws and regulations (including in respect of the emission of GHGs). Further regulations, requirements and incentives may be imposed including through the use of direct and indirect taxes. In particular, these measures have the potential to increase the costs of the Enlarged Group's suppliers and, as a consequence, their business.

For example, compliance with existing, new or proposed regulations or the removal of existing exemptions, governing, directly or indirectly, GHG emissions might also lead to a need to reduce

GHG emissions, to purchase rights to emit GHGs from third parties, or to make other changes to the Enlarged Group's or its suppliers' businesses, all of which could result in significant additional cost or taxes (including an increase in production costs) or could reduce demand for the Enlarged Group's products. Existing, new and proposed regulations relating to the emission of GHGs by energy suppliers could also result in materially increased energy costs for suppliers, and if the Enlarged Group were unable to pass on these increased costs to its customers, such costs could have a material adverse effect on its business, results of operations and financial condition.

Future environmental laws and regulations may cause the Enlarged Group to modify how it manufactures and prices its products or require that it make significant capital investments to comply. Any increased costs related to future environmental laws and regulations, which the Enlarged Group is unable to recover from its customers, could have a material adverse effect on its business, financial condition, results of operations and prospects.

4.2 The Group and the Marley Group are, and the Enlarged Group will be, subject to health and safety laws and any failure to comply with such current or future laws may have a material adverse effect on the Enlarged Group.

Manufacturing and distribution sites can be inherently dangerous workplaces. The Group's and the Marley Group's manufacturing and distribution facilities often involve large pieces of mechanised equipment, moving vehicles, manufacturing processes, regulated materials and other hazardous conditions. As a result, the Group and the Marley Group are subject to a variety of health and safety laws and regulations dealing with occupational health and safety.

The Group's Health and Safety Policy is reviewed and approved by the Board at least annually and the Group began a behavioural safety programme in 2020, which involved the rollout of the use of the "Stop, Look, Assess and Manage" technique in respect of workplace risks and hazards. The Marley Group has a team, specifically responsible for occupational health and safety, who support the operational employees in all aspects of health and safety management and leadership. Both the Group and the Marley Group are independently audited and certified in relation to health and safety against ISO 45001. However, there can be no assurances that these measures will be successful in preventing unexpected health and safety incidents or violations of health and safety laws and regulations, some of which may be beyond the Group's or the Marley Group's control (e.g. due to human error or the actions of a sub-contractor).

Unsafe work sites also have the potential to increase employee turnover, raise the Enlarged Group's operating costs and negatively impact the Enlarged Group's relationship with trade unions. For example, across the Group the lost days injury frequency rate per million hours worked was 23.31. Additionally, the Group's and the Marley Group's safety record can impact the Enlarged Group's reputation. Health and safety and other laws, regulations, standards and best practices may expose the Enlarged Group to the risk of substantial losses, costs and liabilities, including liabilities associated with assets that have been sold or acquired and activities that have been discontinued.

4.3 The Group, the Marley Group and, following Completion, the Enlarged Group may incur additional costs in implementing and complying with new regulations, or any changes to existing regulations, such as the UK GDPR, the Modern Slavery Act 2015 and the Bribery Act 2010.

The Group and the Marley Group are, and the Enlarged Group will be, subject to regulations in the jurisdictions in which they operate regarding the use of personal data, including the UK GDPR. For example, the Group collects personal data through forms on its website (www.marshalls.co.uk), over the phone and by email. This includes information that customers provide when they register to use the Group's site, subscribe to its service, search for a product and place an order on its site, such as customer names, addresses, e-mail addresses and phone numbers.

Since the Group and the Marley Group collect and process payroll and customer data obtained as part of the operation of their businesses, they must comply with data protection and privacy laws. Those laws generally impose certain requirements on the Group and the Marley Group in respect of the collection, retention, use and processing of such personal information. Failure to

operate effective data collection controls could potentially lead to regulatory censure, fines, reputational and financial costs. The Group and the Marley Group have procedures in place designed to comply with the relevant data protection regulations by their employees and any third party service providers, and also implement IT security measures to help prevent cyber theft. In addition, the Group employs appropriate tools and training procedures to protect sensitive data when stored and transmitted between parties (e.g. encryption of hard drives, restricted USB devices, secure data transmission mechanisms and third party security audits).

Notwithstanding such efforts, the Enlarged Group is exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection laws. In addition, the Enlarged Group may not have the appropriate controls in place today and may be unable to invest on an ongoing basis to ensure such controls are current and keep pace with the growing threat. This in turn could result in the Enlarged Group being subject to investigative and enforcement action by relevant regulatory authorities, claims or complaints from the individuals to whom the data relates or facing liability under data protection laws. Any of these events could also result in the Enlarged Group suffering reputational damage, which could have a material adverse effect on its business, financial condition and results of operations.

The Group and the Marley Group are, and the Enlarged Group will be, subject to the Modern Slavery Act 2015, which introduced a number of requirements aimed at eliminating slavery and human trafficking in supply chains and has been subject to increased focus in recent years. The Group has an ongoing programme of independent modern slavery risk assessments within its UK operations and has audit rights in many of its supply contracts, which permit the Group to audit a supplier's compliance under the terms of the contract, including in relation to modern slavery. Despite this, there is no guarantee that the Group will not be in breach of the Modern Slavery Act 2015. The Group's suppliers that provide goods for resale (such as natural stone), particularly in countries considered to be at a high risk for modern slavery (namely, Egypt, Vietnam, China, India and Brazil) pose a risk that the Group may or may be deemed to fall short of the standards imposed by the Modern Slavery Act 2015. Any alleged or actual breach of the Modern Slavery Act 2015 could cause reputational damage to the Enlarged Group and, if the Modern Slavery (Amendments) Bill 2021 (or a similar bill proposing financial penalties) is enacted, companies could face large fines, which could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

Furthermore, the Group and the Marley Group are, and the Enlarged Group will be, subject to the anti-bribery and corruption regulations in the jurisdictions in which they operate, including the Bribery Act 2010. Although the Group has an anti-bribery code in place to inform the way that it does business, there is still a risk that employees and business partners may not comply with the code in full, thereby exposing the Group to the risk of prosecution under the Bribery Act 2010 if the procedures that it has in place to prevent bribery and corruption are not deemed adequate enough. If such risk materialises, the Enlarged Group may be subject to an unlimited fine and reputational damage, which could have a material adverse effect on its business, financial condition and results of operations.

4.4 Legal and regulatory claims and proceedings could have a material adverse effect on the Group, the Marley Group and, following Completion, the Enlarged Group.

The Group and the Marley Group are subject to claims, litigation and regulatory proceedings in the normal course of business, and the Enlarged Group could become subject to additional claims in the future, some of which could be material. For example, the Enlarged Group may in the future be subject to claims for product liability, intellectual property infringement, personal injury, unfair dismissal and other damages. Claims and proceedings, whether or not they have merit and regardless of the outcome, are typically expensive and can divert the attention of management and other personnel for significant periods of time. Additionally, claims and proceedings can impact customer confidence and the general public's perception of the Enlarged Group and its products, even if the underlying assertions are proven to be false. Any claims or proceedings in which the Enlarged Group is unsuccessful or for which it did not establish adequate provisions could have a material adverse effect on its business, financial condition, results of operations and prospects.

4.5 Any inability to protect the Group's, the Marley Group's and, following Completion, the Enlarged Group's intellectual property or claims that the Group, the Marley Group and the Enlarged Group infringe the intellectual property rights of others could have a material adverse effect on the Enlarged Group.

The Group and the Marley Group rely on a combination of trademarks, patents, domain names, certain design rights and agreements to define and protect their rights to the Marshalls and Marley brands and the intellectual property elements in the Group's and the Marley Group's products. Specifically, as companies that manufacture and market branded products, the Group and Marley Group rely on trademark protection to protect its brands as well as its products. For example, the Group relies on the Marshalls name / icon and on product brands such as Drivesys, Driveline Drain, Scoutmoor and Symphony, and the Marley Group relies on the Marley name / icon, in addition to various product ranges such as the EcoLogic, JB Red, Mendip, Roof Defence and SolarTile brands.

The Group and the Marley Group also rely on product, industry, manufacturing and market "know-how" that cannot be registered and may not be subject to any confidentiality and non-disclosure clauses or agreements. The Group and Marley Group cannot guarantee that any of their know-how or registered or unregistered intellectual property rights, or claims to such rights, will now or in the future successfully protect what the Directors consider to be the intellectual property underlying their products, or that their registered or unregistered rights will not subsequently be successfully opposed or otherwise challenged. To the extent that the Enlarged Group's innovations and products are not protected by relevant intellectual property rights, third parties, including competitors, may be able to commercialise the Enlarged Group's innovations or products or use the Enlarged Group's know-how.

If any of the Enlarged Group's products are found to infringe the patents or other intellectual property rights of others, the Enlarged Group's manufacture and sale of such products could be significantly restricted or prohibited and it may be required to pay substantial damages. Any inability to protect the Enlarged Group's intellectual property rights and any misappropriation of the intellectual property of others could have a material adverse effect on its business, financial condition, results of operations and prospects.

4.6 The Group's and the Marley Group's restoration obligations in respect of quarries could have a material adverse effect on the Group, the Marley Group and, with effect from Completion, the Enlarged Group.

The Group owns 11 quarries and the Marley Group owns a quarry from which it has the entitlement to excavate clay for the manufacture of its tiles. With such operations, certain restoration obligations arise under UK law and regulations, which may lead to cash outflows upon complete or partial closure of a quarry.

As at 31 December 2021, the Group did not recognise any provision for restoration of its quarries and, as at 31 December 2021, Marley Group had recognised a provision of £126,000 for restoration of its quarry. The estimated provision resulting from the Marley Group's restoration obligations may change, for example, if more stringent requirements are imposed under UK law or regulation. In addition, provisions could increase if the assumptions underlying the Marley Group's estimate are inaccurate or the underlying facts or legal requirements change.

Should the quarries close unexpectedly this may accelerate the provision of any costs in relation to the Enlarged Group's restoration obligations. Any of the above factors could increase the Enlarged Group's restoration obligations and could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

5. RISKS RELATING TO THE NEW ORDINARY SHARES

5.1 The price of the New Ordinary Shares may fluctuate.

The market price of the New Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the Ordinary Shares. The fluctuations could result from national and global political, economic and financial conditions (including the Ukraine-Russia conflict and the COVID-19 pandemic and any new variants), the market's response to the Equity Issuance, market perceptions of the Company and various other factors and events,

including but not limited to variations in the Group's operating results, business developments of the Group and/or its competitors and the liquidity of the financial markets. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the New Ordinary Shares.

The Company also has a number of major Shareholders with material holdings in the Company, and the holdings of some of these Shareholders may further increase as a result of the Equity Issuance. If any of these Shareholders were to choose to sell their Ordinary Shares, this could cause material fluctuations in the value of the Ordinary Shares.

5.2 The market price for Ordinary Shares may decline below the Offer Price at which investors may subscribe for New Ordinary Shares.

There is no assurance that the public trading market price of the Ordinary Shares will not decline below the Offer Price. Should that occur, relevant Shareholders will suffer an immediate unrealised loss as a result, which may be significant. Moreover, there can be no assurance that, following Shareholders' acquisition of New Ordinary Shares, Shareholders will be able to sell their New Ordinary Shares at a price equal to or greater than the acquisition price for those shares.

5.3 Shareholders will experience dilution in their ownership of the Company as a result of the Capital Raising and issue of the Consideration Shares.

If a Qualifying Shareholder (who is not a Firm Placee or a Conditional Placee) does not take up any of their Open Offer Entitlements or Excess Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 20.9 per cent. as a result of the Capital Raising and issue of 24,092,457 Consideration Shares.

If a Qualifying Shareholder (who is not a Firm Placee or a Conditional Placee) takes up their Open Offer Entitlements in full (assuming he or she does not participate in the Excess Application Facility), such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 14.8 per cent. as a result of the Capital Raising and issue of 24,092,457 Consideration Shares.

In addition, Shareholders may experience immediate and substantial dilution by further share issues. Other than pursuant to the Capital Raising and issue of the Consideration Shares, the Company has no current plans for an offering of shares apart from possible offerings in relation to employee share plans or scrip dividend schemes. However, it is possible that the Company's directors may decide to offer additional shares in the future. If Shareholders did not take up such offer of shares or were not eligible to participate in such offering, their proportionate ownership and voting interests in the Company would be reduced and the percentage that their Ordinary Shares would represent of the total share capital of the Company would be reduced accordingly.

5.4 The Company's ability to pay dividends on the Ordinary Shares will depend on the availability of distributable reserves.

The Group has a progressive dividend policy with the objective of achieving up to two times dividend cover over the business cycle. As earnings increase, the Group plans to share the increase between strengthening cover and progressively raising the rate of dividend. However, the Company cannot guarantee that an interim and/or final dividend will always be paid to Shareholders.

The Company's ability to pay dividends in the future will depend on, among other things, its financial performance. Under UK company law, a company can only pay cash dividends to the extent that, among other things, it has distributable reserves and cash available for this purpose. As a parent company, the Company's ability to pay dividends in the future is affected by a number of factors, principally its ability to receive sufficient dividends from its subsidiaries. The payment of dividends to the Company by its subsidiaries is, in turn, subject to restrictions, including certain statutory and common law requirements and the existence of sufficient distributable reserves and

cash in those subsidiaries. These restrictions could limit the Company's ability to fund other operations or to pay a dividend to Shareholders.

5.5 Sufficient liquidity in the market and potential share price volatility.

Admission should not be taken as implying that there will be a liquid market for the New Ordinary Shares. There is no guarantee that there will be sufficient liquidity in the Ordinary Shares to sell or buy any number of Ordinary Shares at a certain price level. The Company cannot predict the extent to which an active market for the Ordinary Shares will develop or be sustained, or how the development of such market might affect the market price for Ordinary Shares. An illiquid market for the Ordinary Shares may result in lower trading prices and increased volatility, which could adversely affect the value of any investment.

5.6 The admission of the New Ordinary Shares to listing on the Official List and to trading on the London Stock Exchange may not occur when expected.

Until the New Ordinary Shares are admitted to listing on the Official List and to trading on the London Stock Exchange, they will not be fungible with Existing Ordinary Shares currently traded on the London Stock Exchange. There is no assurance that the admission to listing on the Official List and to trading on the London Stock Exchange will take place when anticipated.

5.7 The ability of Overseas Shareholders to bring actions, or to enforce judgments, against the Company, the Company's directors or the officers of the Company may be limited.

The Company is a public limited company incorporated in England and Wales. As a result, the rights of Shareholders are governed by English law and the Company's Articles of Association, and may differ from the rights of shareholders in typical US corporations. In addition, the ability of an Overseas Shareholder to bring an action against it may be limited under English law, and it may not be possible for investors outside of the UK to effect service of process outside the UK against the Company or the Company's directors, or to enforce the judgment of a court outside the UK against the Company or the Company's directors. Likewise, Overseas Shareholders may not be able to enforce any judgments under the securities laws of countries other than the UK against the Company's directors who are residents of the UK or countries other than those in which judgment is made, and English or other courts may not impose civil liability on the Company's directors in any original action based solely on foreign securities laws brought against the Company or the Company's directors in a court of competent jurisdiction.

5.8 Overseas Shareholders may not be able to exercise pre-emptive rights in the future.

As part of the Equity Issuance, the share capital of the Company will be increased and New Ordinary Shares will be issued. In addition, further share capital increases and share issues may be proposed in the future. Shareholders are entitled to pre-emptive rights in respect of new issues of shares for cash unless those rights are waived by a Shareholders' resolution.

Overseas Shareholders may not be able to exercise their pre-emptive rights as part of a future issue of shares for cash (even if pre-emption rights were not waived), unless the Company decides to comply with applicable local laws and regulations. This is because securities laws of certain jurisdictions may restrict the Company's ability to allow participation by certain Shareholders in any future issue of shares. In particular, Overseas Shareholders who are located in the United States may not be able to exercise their rights on a future issue of shares, unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The New Ordinary Shares will not be registered under the US Securities Act and the Company is unlikely to file registration statements for future share issues.

PART III

IMPORTANT INFORMATION

1. GENERAL

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his or its own legal, financial or tax adviser for legal, financial or tax advice. In making an investment decision, each investor must carry out their own examination, analysis and enquiry of the Company and the terms of the Equity Issuance, including the merits and risks involved.

Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and PR 3.4.1 of the Prospectus Regulation Rules, neither the publication of this document nor any distribution of New Ordinary Shares shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group taken as a whole since the date of this document or that the information contained herein is correct as of any time subsequent to its date.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, the Group, Rothschild & Co, the Joint Bookrunners or any other person involved in the preparation of this document. Any decision to invest in the New Ordinary Shares should be based on a consideration of this document as a whole by the investor. No representation or warranty, express or implied, is made by the Company, the Directors, the Group, Rothschild & Co, the Joint Bookrunners or any other person involved in the preparation of this document as to the accuracy or completeness of such information or representation. Nothing contained in this document is, or shall be relied upon as, a promise or representation by the Company, the Directors, the Group, Rothschild & Co, the Joint Bookrunners or any other person involved in the preparation of this document as to the past, present or future.

2. NO INCORPORATION OF WEBSITES

The contents of the Company's website (<https://www.marshalls.co.uk/>) or any member of the Enlarged Group's website and the contents of any website accessible from hyperlinks on such websites (other than the information as set out in Part XIX (*Documents incorporated by reference*)) do not form part of this document and no one should rely on them.

3. FORWARD-LOOKING STATEMENTS

Certain statements in this document relate to the future, including forward-looking statements relating to the financial position and strategy of the Group, the Marley Group and/or the Enlarged Group. These statements relate to future events or the future performance of the Group, the Marley Group and the Enlarged Group, but do not seek in any way to qualify the working capital statement given by the Company. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms 'intend', 'aim', 'project', 'anticipate', 'estimate', 'plan', 'believe', 'expect', 'may', 'should', 'will', 'continue' or, in each case, their negative and other variations or other similar or comparable words and expressions. These statements discuss future expectations concerning the Group's, the Marley Group's and the Enlarged Group's results of operations or financial condition, or provide other forward-looking statements.

These forward-looking statements are not guarantees or predictions of future performance, and are subject to known and unknown risks, uncertainties and other factors, including the risk factors set out in the section entitled 'Risk Factors', many of which are beyond the Group's control, and which may cause the Group's, the Marley Group's and the Enlarged Group's actual results of operations, financial condition and the development of the business sectors in which they operate to differ materially from those suggested by the forward-looking statements contained in this document. In addition, even if the Group's, the Marley Group's and the Enlarged Group's actual results of operations, financial condition and the development of the business sectors in which they operate are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of

results or developments in subsequent periods. Recipients of this document are cautioned not to put undue reliance on forward-looking statements.

Other than as required by English law, none of the Company, its officers, advisers or any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur, in part or in whole.

Additionally, statements of the intentions of the Board and/or Directors reflect the present intentions of the Board and/or Directors, respectively, as at the date of this document and may be subject to change as the composition of the Board alters, or as circumstances require.

The forward-looking statements speak only as at the date of this document. To the extent required by applicable law or regulation (including as may be required by the Companies Act 2006 and regulations thereunder (the “**Companies Acts**”), Prospectus Regulation Rules, Listing Rules, MAR, Disclosure Guidance and Transparency Rules and FSMA), the Company will update or revise the information in this document. Otherwise, the Company as well as Rothschild & Co and the Joint Bookrunners expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

4. NO PROFIT FORECASTS OR ESTIMATES

Nothing in this document is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings, earnings per share, dividend per share, revenue growth, net assets or cash flow for the Company for the current or future financial years would necessarily match or exceed the historical published earnings, earnings per share, dividend per share, revenue growth, net assets or cash flow for the Company.

5. SOURCES PRESENTATION OF FINANCIAL INFORMATION

5.1 Sources and presentation of financial information relating to the Group

Unless otherwise indicated, the historical and other financial information presented in this document has been extracted without material adjustment from:

- the audited consolidated financial statements of the Group as at and for the financial year ended 31 December 2021; and
- the audited consolidated financial statements for the Group as at and for the financial year ended 31 December 2020,

in each case, which have been incorporated by reference as set out in Part XIX (*Documents incorporated by reference*) of this document (together, the “**Marshalls Financial Information**”). The Marshalls Financial Information has been prepared in accordance with IFRS as adopted in the UK.

5.2 Sources and presentation of financial information relating to the Marley Group

Unless otherwise indicated, the historical and other financial information presented in this document relating to the Marley Group has been extracted without material adjustment from:

- the audited consolidated historical financial information of Marley Group Plc for the 73-week period to 31 December 2020 and for the financial year ended 31 December 2021; and
- the audited historical financial information of Marley Limited for the financial years ended 31 December 2019, 2020 and 2021,

which are contained in Part XIV (*Historical Financial Information of the Target*) of this document (the “**Marley Financial Information**”). The Marley Financial Information has been prepared in accordance with IFRS as adopted in the UK.

Marley Group Plc was incorporated on 1 September 2021 as Marley Group Limited, and was renamed and re-registered as a public company on 24 September 2021. On 17 September 2021, after acquiring all of the issued share capital of Monty Topco Limited, Marley Group Plc became the ultimate parent holding company of the Marley Group. The previous ultimate parent holding company of the Marley Group, Monty Topco Limited, was incorporated on 7 August 2019 and its first Statement of Profit or Loss, Statement of Cash Flows and Statement of Changes in Equity were presented for the 73-week period ended 31 December 2020. Consequently, no consolidated historical financial information for Marley Group Plc is available for the year ended 31 December 2020 or prior comparative periods. Marley Group Plc's consolidated financial information, which is prepared using the merger accounting method, consolidates Monty Topco Limited, the Monty Holding Companies, Marley Limited (following the Marley Acquisition) and Viridian Solar Limited (following the Viridian Acquisition).

For the period from 30 August 2019 (being the date of the Marley Acquisition) to 1 April 2021 (being the date of the Viridian Acquisition), Marley Limited was the only trading and revenue generating entity in the Marley Group. Prior to the Marley Acquisition, the Marley business was operated as a division of Marley Eternit Limited. Marley Limited was incorporated on 15 August 2018 and the assets and liabilities comprising the Marley business were transferred to Marley Limited on 1 January 2019. Consequently, the historical financial information for Marley Limited in respect of the financial year ended 31 December 2019, the financial year ended 31 December 2020 and the financial year ended 31 December 2021 has been included in this document to provide a track record of historic financial performance that is representative of the trading performance of the underlying business of the Marley Group in order to allow Shareholders to make an informed assessment of the Acquisition.

Although the Directors believe that the trading performance of the underlying Marley business for the three year period ended 31 December 2021 is reflected in Marley Limited's historical financial information, Shareholders and investors should be aware that the historical financial information of Marley Limited would differ significantly from the consolidated historical financial information of Marley Group Plc for the corresponding periods, primarily as a result of: (i) fair value accounting adjustments made in connection with the Marley Acquisition; (ii) certain continuing administrative costs incurred by the Monty Holding Companies that are not reflected in Marley Limited's historical financial information; (iii) certain intra-group finance costs and external finance costs incurred by the Monty Holding Companies that are not reflected in Marley Limited's historical financial information; and (iv) transaction costs incurred by the Monty Holding Companies in connection with the Marley Acquisition. Consequently, the financial information for Marley Limited is not directly comparable to the consolidated financial information of Marley Group Plc within or across financial periods.

5.3 Pro forma financial information relating to the Enlarged Group

In this document, any reference to pro forma financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in Part XVI (*Unaudited Pro Forma Financial Information*) of this document. The unaudited pro forma financial information has been prepared to illustrate the impact of the Acquisition, the Equity Issuance and the Debt Financing (i) on the consolidated net assets of the Group as at 31 December 2021 as if they had taken place at that date and (ii) on the consolidated income statement of the Group for the year ended 31 December 2021 as if they had taken place on 1 January 2021.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, as a result, the hypothetical financial position or results included in the unaudited pro forma financial information may differ from the Enlarged Group's actual financial position or results.

The unaudited pro forma financial information has been prepared in accordance with the basis set out in Part XVI (*Unaudited Pro Forma Financial Information*) of this document and in accordance with the requirements of sections 1 and 2 of Annex 20 of the Prospectus Regulation Rules. The unaudited pro forma financial information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

6. ALTERNATIVE PERFORMANCE MEASURES

This document contains certain 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.

6.1 Adjusting items

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

For the year ended 31 December 2020, adjusting items comprise items previously disclosed separately under the heading of “operational restructuring costs and asset impairments”.

6.2 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’s results.

6.3 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 adjusting items.

6.4 ROCE

Reported ROCE is defined as EBITA divided by shareholders’ funds plus net debt. ROCE is disclosed before adjusting items.

6.5 Net debt

Net debt comprises cash at bank and in hand, bank loans and leasing liabilities.

6.6 Underlying EBITDA

The Marley Group uses certain measures to assess the financial performance of its business. Certain of these measures are termed “non-IFRS” measures because they exclude amounts that are included in, or include amounts that are excluded from, comparable financial measures calculated and presented in accordance with IFRS, or calculated using financial measures that are not calculated in accordance with IFRS. These non-IFRS measures include Underlying EBITDA, as explained in the Marley Financial Information. The Marley Financial Information explains how the Underlying EBITDA reconciles to the operating profit before interest receivable, interest payable and income tax for the relevant period.

These non-IFRS financial measures are not measures based on IFRS and Shareholders should not consider such items as an alternative to the IFRS financial measures set out in the Marley Financial Information. These non-IFRS measures are not measurements of operating performance under IFRS and should not be considered a substitute for profit before tax for the period or other income statement data, or as measures of profitability or liquidity. These measures may not be indicative of the Marley Group’s historical operating results nor are they meant to be predictive of future results. Other companies may calculate such measures in a different way, and the Marley Group’s presentation may not be comparable to similarly entitled measures of other companies.

7. CURRENCY PRESENTATION

Unless otherwise indicated, all references in this document to “£”, “pounds”, “pounds sterling”, “Pounds Sterling” or “sterling” are to the lawful currency of the UK and references to “pence” or “p” represent pence in the lawful currency of the UK.

Unless otherwise indicated, all references in this document to “EUR”, “€” or “euro” are to the lawful currency in the Member States of the European Union that have adopted the single currency introduced in application of the European Economic Community Treaty.

Unless otherwise indicated, all references in this document to “\$”, “US\$”, “USD”, or “US Dollar” are to the lawful currency of the United States.

The Group and the Marley Group prepares its consolidated financial statements incorporated by reference into this document in pounds. Unless otherwise indicated, the financial information contained in this document has been expressed in pounds.

8. ROUNDING

Certain numerical figures contained in this document, including financial information, market data and certain operating data, have been subject to rounding adjustments for ease of presentation. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

9. MARKET AND INDUSTRY INFORMATION

Unless the source is otherwise stated, the market, economic and industry data in this document constitute the Directors’ estimates, using underlying data from independent third-parties. Market data and certain industry data and forecasts included in this document have been obtained from internal company surveys, market research, consultant surveys, publicly available information, reports of governmental agencies and industry publications and surveys.

The Company confirms that all third-party data contained in this document has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third-party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used in this document, the source of such information has been identified. While industry surveys, publications, consultant surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, the accuracy and completeness of such information is not guaranteed. The Company has not independently verified any of the data from third-party sources, nor has the Company ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which the Company believes to be reliable based upon the Directors’ knowledge of the industry, have not been independently verified. Statements as to the Group’s and the Marley Group’s market position are based on recently available data.

PART IV

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Time for Open Offer Entitlements	6:00 p.m. on 4 April 2022
Announcement of the Acquisition and the Equity Issuance	4:46 p.m. on 6 April 2022
Ex-Entitlements Time for the Open Offer	8:00 a.m. on 7 April 2022
Publication of this document	7 April 2022
Posting of this document, Application Forms (to Qualifying Non-CREST Shareholders only), Notice of General Meeting and Forms of Proxy	8 April 2022
Open Offer Entitlements and Excess Open Offer Entitlements credited to stock accounts of Qualifying CREST Shareholders	as soon as practicable after 8:00 a.m. on 11 April 2022
Recommended latest time and date for requesting withdrawal of Open Offer Entitlements and Excess Open Offer Entitlements from CREST	4:30 p.m. on 21 April 2022
Latest time and date for depositing Open Offer Entitlements and Excess Open Offer Entitlements into CREST (i.e. if your Open Offer Entitlements and Excess Open Offer Entitlements are represented by an Application Form and you wish to convert them to uncertificated form)	3:00 p.m. on 22 April 2022
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3:00 p.m. on 25 April 2022
Latest time and date for receipt of Forms of Proxy or electronic proxy appointments	09:30 a.m. on 26 April 2022
Latest time and date for receipt of completed Application Forms and payments in full and settlement of CREST instructions (as appropriate)	11:00 a.m. on 27 April 2022
General Meeting	09:30 a.m. on 28 April 2022
Announcement of the results of the Capital Raising and the General Meeting	28 April 2022
Admission and dealings in New Ordinary Shares commence on the London Stock Exchange	by 8:00 a.m. on 29 April 2022
Completion of the Acquisition	8:00 a.m. on 29 April 2022
New Ordinary Shares credited to CREST stock accounts (uncertificated Shareholders only)	as soon as practicable after 8:00 a.m. on 29 April 2022
Where applicable, despatch of definitive share certificates for the New Ordinary Shares in certificated form	on or around 12 May 2022

Notes:

1. The ability to participate in the Capital Raising is subject to certain restrictions relating to Shareholders with registered addresses outside of the UK, details of which are set out in Part XI (*Terms and Conditions of the Capital Raising*).
2. These times and dates and those mentioned throughout this document and the Application Form are indicative only and may be adjusted by the Company in consultation with the Joint Bookrunners, in which event details of the new times and dates will be notified to the FCA, the London Stock Exchange and, where appropriate, Qualifying Shareholders.
3. References to times in this timetable are to GMT.

PART V

ACQUISITION AND CAPITAL RAISING STATISTICS

Number of Existing Ordinary Shares in issue as at the Latest Practicable Date	200,052,157
Number of New Ordinary Shares to be issued pursuant to the Firm Placing ¹	13,435,487
Number of New Ordinary Shares to be issued pursuant to the Placing and Open Offer ¹	15,388,627
Basis of Open Offer ²	1 New Ordinary Share for every 13 Existing Ordinary Shares held
Offer Price (per New Ordinary Share to be issued pursuant the Firm Placing and the Placing and Open Offer)	650 pence
Discount of the Offer Price to the closing price of 693 pence per Existing Ordinary Share on 6 April 2022	6.14 per cent.
Estimated gross proceeds of the Capital Raising ³	£187 million
Estimated net proceeds of the Capital Raising receivable by the Company, after deduction of commissions, fees and expenses ³	£184 million
Number of Consideration Shares expected to be issued by the Company to the Sellers at 680 pence per Consideration Share in connection with the Acquisition ¹	24,092,457
Number of New Ordinary Shares ¹	52,916,571
Ordinary Shares in issue following the issue of the New Ordinary Shares ¹	252,968,728
New Ordinary Shares issued pursuant to the Firm Placing as a percentage of the Company's enlarged issued share capital immediately following Admission of the New Ordinary Shares ¹	5.3 per cent.
New Ordinary Shares issued pursuant to the Placing and Open Offer as a percentage of the Company's enlarged issued share capital immediately following Admission of the New Ordinary Shares ¹	6.1 per cent.
New Ordinary Shares expected to be issued as Consideration Shares as a percentage of the Company's enlarged issued share capital immediately following Admission of the New Ordinary Shares ¹	9.5 per cent.
Total New Ordinary Shares expected to be issued as a percentage of the Company's enlarged issued share capital immediately following Admission of the New Ordinary Shares ¹	20.9 per cent.

¹ On the assumption that no further Ordinary Shares are issued as a result of the exercise of any options under any Share Plan, or otherwise, between the date of this document and Admission of the New Ordinary Shares. The final number of Consideration Shares to be issued at Completion will be determined under the Share Purchase Agreement.

² Fractions of New Ordinary Shares will not be allotted to Shareholders in the Open Offer and fractional entitlements under the Open Offer will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility.

³ The gross and net proceeds of the Capital Raising have been calculated on the basis that 13,435,487 New Ordinary Shares are issued under the Firm Placing and that 15,388,627 New Ordinary Shares are issued under the Placing and Open Offer.

PART VI

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Vanda Murray OBE (<i>Chair</i>) Martyn Coffey (<i>Chief Executive</i>) Justin Lockwood (<i>Chief Financial Officer</i>) Simon Bourne (<i>Chief Operating Officer</i>) Graham Prothero (<i>Senior Independent Non-Executive Director</i>) Tim Pile (<i>Independent Non-Executive Director</i>) Angela Bromfield (<i>Independent Non-Executive Director</i>) Avis Darzins (<i>Independent Non-Executive Director</i>)
Company Secretary	Shiv Sibal
Registered office	Landscape House Premier Way Lowfields Business Park Elland West Yorkshire HX5 9HT
Sponsor and Financial Adviser	N.M. Rothschild & Sons Limited New Court, St Swithin's Lane London EC4N 8AL
Joint Bookrunner	Numis Securities Limited 45 Gresham Street London EC2V 7BF
Joint Bookrunner	Peel Hunt LLP 7th Floor 100 Liverpool Street London EC2M 2AT
Auditor	Deloitte LLP New Street Square London EC4A 3HQ
Legal advisers to the Company	Slaughter and May One Bunhill Row London EC1Y 8YY
Legal advisers to the Joint Bookrunners and Sponsor	Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES
Receiving Agent	Computershare Investor Services PLC Corporate Actions Projects Bristol BS99 6AH
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6AH
Reporting Accountant	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG

PART VII

LETTER FROM THE CHAIR OF MARSHALLS PLC



(incorporated and registered in England with registered number 05100353)

Directors

Vanda Murray OBE (*Chair*)
Martyn Coffey (*Chief Executive*)
Justin Lockwood (*Chief Financial Officer*)
Simon Bourne (*Chief Operating Officer*)
Graham Prothero (*Senior Independent Non-Executive Director*)
Tim Pile (*Independent Non-Executive Director*)
Angela Bromfield (*Independent Non-Executive Director*)
Avis Darzins (*Independent Non-Executive Director*)

Registered office

Landscape House, Premier Way
Lowfields Business Park
Elland, West Yorkshire
HX5 9HT

7 April 2022

Dear Shareholder,

Proposed acquisition of Marley Group Plc and proposed issue of New Ordinary Shares as Consideration Shares at 680 pence per Consideration Share

Firm Placing of 13,435,487 New Ordinary Shares at 650 pence per New Ordinary Share

Placing and Open Offer of 15,388,627 New Ordinary Shares at 650 pence per New Ordinary Share

1. Introduction

On 6 April 2022, the Directors announced arrangements regarding the proposed acquisition by Marshalls Group Limited of the entire issued share capital of Marley Group Plc for a total enterprise value of £535 million on a debt free, cash free basis. On 7 April 2022, the Directors also announced that Marshalls had conditionally raised approximately £187 million (before expenses) by means of a Firm Placing and a Placing (subject to clawback under the Open Offer) at an Offer Price of 650 pence per New Ordinary Share to part finance the Acquisition.

The Marley Group is a leader in the manufacture and supply of pitched roof systems to the GB construction market. The Marley Group has a respected brand with around 100 years of heritage and is recognised in the UK roofing industry for its range and system, service, roofing reputation and quality. In the year ended 31 December 2021, the Marley Group generated revenue of £172.6 million and reported an operating profit of £25.3 million. Marley Limited reported an Underlying EBITDA in the year ended 31 December 2021 of £49.5 million, compared to £28.0 million in the comparative period in 2020.

Marshalls proposes to finance the Acquisition through: (i) the proceeds of a Firm Placing and Placing and Open Offer to raise a total of approximately £187 million (approximately £184 million net of commissions, fees and expenses); (ii) the issue of the Consideration Shares at 680 pence per Consideration Share (expected to represent a value of approximately £164 million); and (iii) approximately £187 million from the Debt Financing (as described in section 4.3 below). 13,435,487 New Ordinary Shares will be issued through the Firm Placing and 15,388,627 New Ordinary Shares will be issued through the Placing and Open Offer on the basis of 1 New Ordinary Share for every 13 Existing Ordinary Shares.

The Firm Placing and the Placing have been fully underwritten by the Joint Bookrunners on the terms and subject to the conditions of the Sponsor and Placing Agreement.

As the Acquisition constitutes a Class 1 transaction under the Listing Rules, it is conditional upon the approval of Shareholders. The General Meeting is scheduled to take place at 09.30 a.m. on 28 April 2022. You can find the Notice of General Meeting at Part XXI (*Notice of General Meeting*) of this document.

The Capital Raising and the issuance of the Consideration Shares are subject to certain conditions, including the Resolution being passed by the Shareholders.

The purpose of this letter is to explain the background to and reasons for the Acquisition and Capital Raising, to summarise the key terms and conditions of the Acquisition and Capital Raising, to explain why the Board considers that the Resolution to be proposed at the General Meeting is in the best interests of Marshalls and the Shareholders as a whole, and to seek your approval of the Resolution to be proposed at the General Meeting.

The Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting, as each of the Directors has irrevocably undertaken to do or, where applicable, procure that the registered holder of the Existing Ordinary Shares beneficially owned by them shall do, in respect of their own beneficial holding of Ordinary Shares.

2. Background to and reasons for the Acquisition and the Equity Issuance

Marshalls has a strong track record of delivering excellent organic growth whilst also making successful complementary acquisitions that have enhanced its product offering as part of its broader five year strategy to become the UK's leading manufacturer of products for the built environment.

In December 2018 Marshalls announced the acquisition of Edenhall Holdings Limited and in October 2017 announced the acquisition of CPM Group Limited. Both of these acquisitions have been successfully integrated into the Group and were EPS accretive in their first full year of contribution to the Group.

The Group's consistently and clearly stated mergers and acquisitions strategy is focussed on quality businesses manufacturing and selling products used in new build housing and water management in the UK. In this context, the Directors believe that Marley represents a compelling strategic fit for Marshalls and would be complementary to the Group's existing product portfolio, by extending the Group into pitched roofing and integrated solar systems. The Directors are confident of the long-term potential of the UK pitched roof industry in the context of the positive medium-term outlook for the UK construction market. The acquisition of Marley adds a market leading brand to the Group, increasing its exposure to the cyclically resilient RMI market. In line with its established strategy, Marshalls has previously considered organic growth into, and acquisitions in, this complementary category, and the Directors believe that there is a strong cultural fit between the Marshalls and Marley businesses that are both market leaders in their distinct core areas of focus. Both businesses employ a consistent commercial strategy that is focused on generating 'pull demand' for their products.

Furthermore, the Directors believe that Marley's track record of growth and cash generation, as highlighted below, makes the acquisition both a strategically and financially attractive proposition to the Group's Shareholders:

	For the year ended 31 December		
	Marley Limited	Marley Limited	Marley Group Plc⁴
	2019	2020	2021
	£ million	£ million	£ million
Revenue	143.5	120.7	172.6
Underlying EBITDA	31.7	28.0	50.1
Margin (%)⁵	22.1%	23.2%	29.0%
Operating cash flows before movements in working capital	27.8	25.6	45.8
Conversion (%)⁶	87.7%	91.4%	91.4%

⁴ Marley Group Plc was incorporated on 1 September 2021 and, on 17 September 2021, became the ultimate parent holding company of the Marley Group. Consequently, no consolidated historical financial information for Marley Group Plc is available for the year ended 31 December 2020 or prior comparative periods. Marley Group Plc's consolidated financial information, which is prepared using the merger accounting method, consolidates Monty Topco Limited, the Monty Holding Companies, Marley Limited (following the Marley Acquisition) and Viridian Solar Limited (following the Viridian Acquisition).

⁵ Calculated as Underlying EBITDA as a percentage of revenue.

⁶ Calculated as operating cash flows before movements in working capital as a percentage of Underlying EBITDA.

The Directors believe that the acquisition is attractive to the Company's shareholders and offers numerous key benefits and opportunities, in particular:

(A) Clear strategic fit, enhancing its UK market proposition through the acquisition of a portfolio of leading brands

Marley and Marshalls are both highly recognised, market leading brands, each with around 100 years of heritage and the acquisition is part of the Group's strategy to become the UK's leading manufacturer of products for the built environment.

(B) Complementary, extensive product range of roofing products and solutions

The Directors believe that the acquisition of Marley will add a complementary product range to the Group's existing offering for the built environment. A cornerstone of Marley's success has been its comprehensive pitched roofing system. Its product offering includes concrete and clay roof tiles, roof fittings, timber battens, solar panels and roofing accessories – a complete roof solution. The Acquisition provides the Group with strong market positions in each of Marley's core product categories.

(C) Enhances exposure to the UK construction market and to the cyclically resilient UK RMI end market

The Acquisition of Marley creates a well-balanced UK building materials manufacturing group with strong exposure to structural growth markets. In particular, Marley has significant exposure to the cyclically resilient and structurally growing UK RMI market, with 53% of revenue for the financial year ended 31 December 2021 generated from RMI-led construction activities which the Directors believe is highly resilient to fluctuations in market demand given the non-discretionary nature of roof repairs and replacement. This RMI market segment has displayed strong levels of historical growth, with a projected CAGR of 1.5% from 2011 to 2023, and a strong medium term outlook, underpinned by structural drivers such as the UK's ageing housing stock.

(D) Strong commercial strategy; complementary sales channels

Consistent with the Company's commercial strategy, Marley's commercial strategy is centred around generating 'pull demand' and it has developed a strong go-to-market approach to facilitate this. Marley invests a significant amount of time with key specifiers and influencers (e.g. planners and quantity surveyors) to generate 'pull demand' for its products through its established sales channels – national and independent builders merchants, roofing merchants and roofing contractors. The Acquisition will enable the Group to offer customers a broader range of complementary products.

(E) Network of strategically located sites with opportunities to drive operational and ESG gains

Marley has a network of strategically located sites across the UK, including five production facilities with a low capital requirement. The Directors believe there are significant opportunities to leverage the Company's operational and manufacturing experience to improve the efficiency of Marley's manufacturing operations. In addition, Marshalls expects to be able to apply its established sustainability strategy to the Marley business, in particular across climate change, ethical sourcing, health and safety and employee wellbeing, in order to further enhance, and derive commercial benefit from, the ESG credentials of the Enlarged Group.

(F) A proven M&A platform

Similar to Marshalls, an element of Marley's growth strategy has been weighted towards the pursuit of complementary acquisitions. Marley has a track record of successfully enhancing its product offering through acquisition, having acquired John Brash & Co. Limited in April 2016 (a market leader in timber roofing battens) and Viridian Concepts Limited in April 2021 (a market leader in roof integrated solar photo-voltaic panels). The Acquisition will create a significant platform from which to drive future acquisitions, particularly in sustainable products and products which will support the offering of the Enlarged Group in the built environment.

(G) Attractive growth strategy

The Directors believe that Marley is well positioned to capitalise on significant growth opportunities over the medium term, including:

- capitalising on the attractive market fundamentals in the UK roofing industry, particularly in relation to the cyclically resilient and structurally growing RMI market;
- using the Company's operational expertise to drive efficiency gains in Marley's manufacturing operations; and
- continuing to pursue a strategy targeting selective complementary acquisitions which add roofing components and accessories for the Marley roof system.

(H) Enhances shareholder value with attractive financial returns

- The enterprise value of the Acquisition represents a multiple of 10.7x the Marley Group's Underlying EBITDA for the year ended 31 December 2021.
- The Directors believe that the Acquisition will significantly enhance shareholder value for the following reasons:
 - double-digit EPS accretion expected as a result of the Acquisition in the first full financial year post-Completion;
 - the Acquisition is expected to enhance the Group's growth rates and free cash flow; and
 - had the Acquisition happened at 31 December 2021, the impact would have been to increase operating profit margins from 12.9% to 14.3% and to increase net assets from £344.3m to £665.8m (see Part XVI (*Unaudited Pro Forma Financial Information*) of this document).⁷

Marshalls will maintain a conservative capital structure and expects pro forma 2022E post IFRS-16 leverage to be lower than 1.5x.

3. The terms of the Acquisition

3.1 Overview

On 6 April 2022, the Company, Marshalls Group Limited and the Sellers entered into the Share Purchase Agreement in respect of the Acquisition. Pursuant to the Share Purchase Agreement, Marshalls has agreed to purchase, on the terms and subject to the conditions of the Share Purchase Agreement, the entire issued share capital of the Target.

The Acquisition represents an enterprise value of £535 million for the Marley Group on a debt free, cash free basis. The consideration will be financed through approximately £164 million in Consideration Shares, with the remainder of the consideration, in cash, to be financed by a combination of the Debt Financing and approximately £187 million from the Firm Placing and Placing and Open Offer.

A locked box mechanism is in place from (and excluding) 31 December 2021 to (and including) Completion, which is designed to prevent "leakage" of value from the Target.

3.2 The Acquisition Agreement and conditions to the Acquisition

The Acquisition constitutes a Class 1 transaction for the Company under the Listing Rules and is, therefore, conditional upon the approval of Shareholders, which will be sought at the General Meeting (see Part XXI (*Notice of General Meeting*)). Completion of the Acquisition is also conditional upon the Sponsor and Placing Agreement becoming unconditional and Admission of the New Ordinary Shares.

⁷ These statements do not constitute profit forecasts nor should they be interpreted to mean that future earnings per share, profits, revenue growth, net assets or cash flow of the Enlarged Group in any financial period will necessarily match or be lesser or greater than those of the Group for the relevant preceding period.

3.3 Financing of the Acquisition

The Acquisition will be financed through the issue to the Sellers of the Consideration Shares⁸ with an aggregate value of approximately £164 million, with the remainder being financed in cash through:

- (A) approximately £87 million from the Firm Placing;
- (B) approximately £100 million from the Placing and Open Offer; and
- (C) the Debt Financing.

Details of the terms of the Sponsor and Placing Agreement and the Debt Financing are set out in sections 12.1(B) and 12.1(G) of Part XVIII (*Additional Information*), respectively.

Application will be made for the Consideration Shares to be admitted to listing on the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission of the Consideration Shares will become effective and dealings in the Consideration Shares will commence at 8:00 a.m. on 29 April 2022.

4. Principal terms of the Firm Placing and Placing and Open Offer

4.1 Overview

The Company proposes to raise gross proceeds of approximately £187 million, (approximately £184 million after the deduction of approximately £3 million to account for the payment of commissions, fees and expenses) by way of:

- (i) a Firm Placing of 13,435,487 New Ordinary Shares; and
- (ii) a Placing and Open Offer of 15,388,627 New Ordinary Shares

(together, the “**Capital Raising**”) in each case at an Offer Price of 650 pence per New Ordinary Share.

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares. The Firm Placing and the Placing has been fully underwritten by the Joint Bookrunners on the terms and subject to the conditions of the Sponsor and Placing Agreement, details of which are set out in section 12.1(B) of Part XVIII (*Additional Information*).

The Board has considered the best way to structure the proposed equity capital raising in light of the Group's current financial position. The decision to structure the equity capital raising by way of a combination of a Firm Placing and a Placing and Open Offer takes into account a number of factors, including the total net proceeds to be raised. The Board believes that the Firm Placing will provide funding certainty and allow the Company to satisfy demand from current major Shareholders wishing to increase their equity positions in the Company. The Board has sought to balance the dilution to other Shareholders arising from the Firm Placing with the need to secure guaranteed commitments via the Firm Placing to ensure the success of the Capital Raising. As a result, 53.4 per cent. of the New Ordinary Shares being issued as part of the Capital Raising will be available to existing Shareholders through the Open Offer on a *pro rata* basis.

Further details of the terms and conditions of the Open Offer, including the procedure for acceptance and payment and the procedure in respect of rights not taken up, are set out in Part XI (*Terms and Conditions of the Capital Raising*) and, where relevant, the Application Form. Overseas Shareholders should refer to section 1 of Part XII (*Overseas Shareholders*) for further information regarding their ability to participate in the Capital Raising.

The Company will make an appropriate announcement(s) to a Regulatory Information Service in relation to the results of the Capital Raising, which is expected to be on or around 28 April 2022.

⁸ Under the Share Purchase Agreement, the non-cash consideration will be the issue by Marshalls Group Limited of consideration loan notes to the Sellers. Pursuant to the Put and Call Option Deed that the parties have committed to enter into on Completion, the Company may call, and the Sellers may put, those consideration loan notes in exchange for Consideration Shares, and so it is expected that the Sellers will be issued with the Consideration Shares shortly following Completion.

Pursuant to the Share Purchase Agreement and the Put and Call Option Deed, the Company will also issue the Consideration Shares to the Sellers (together with the Capital Raising, the “**Equity Issuance**”). The Company is expected to issue 24,092,457 Consideration Shares at 680 pence per Consideration Share (with the final number of Consideration Shares to be issued at Completion to be determined under the Share Purchase Agreement).

4.2 Offer Price

The Firm Placing and the Placing and Open Offer will each be made at an Offer Price of 650 pence per New Ordinary Share. The Offer Price represents a discount of 6 per cent. to the Closing Price of 693 pence per Ordinary Share on 6 April 2022 (being the day of the announcement of the Capital Raising). The Offer Price (and the discount) has been set by the Directors following their assessment of the prevailing market conditions and anticipated demand for the New Ordinary Shares. The Board, having taken appropriate advice from its advisors, believes that the Offer Price (including the discount) is appropriate in the circumstances.

4.3 Firm Placing

As announced at 4.46 p.m. on 6 April 2022, the Joint Bookrunners, as agents for Marshalls, agreed to procure Firm Placees for the Firm Placing Shares and Conditional Placees for Open Offer Shares by way of an accelerated bookbuild process on the terms and conditions set out in the appendix to the announcement. As further announced at 7.00 a.m. on 7 April 2022, the Joint Bookrunners have conditionally placed 13,435,487 Firm Placing Shares with Firm Placees under the Firm Placing and 15,388,627 Open Offer Shares with Conditional Placees under the Placing. The Open Offer Shares have been placed with Conditional Placees subject to clawback to satisfy valid applications made by Qualifying Shareholders under the Open Offer. The Firm Placing Shares are not subject to clawback.

The Firm Placing is subject to the same conditions and termination rights which apply to the Placing and Open Offer, including the Resolution being passed by Shareholders at the General Meeting and the Share Purchase Agreement becoming unconditional (other than in respect of the Admission of the New Ordinary Shares).

Pursuant to the Sponsor and Placing Agreement, to the extent that any Firm Placee fails to subscribe for any or all of the Firm Placing Shares allocated to it in the Firm Placing (including defaulting in paying the Offer Price in respect of the Firm Placing Shares so allocated to it or which it has agreed to subscribe at the Offer Price), then each of the Joint Bookrunners has agreed, on the terms and subject to the conditions set out in the Sponsor and Placing Agreement, severally (and not jointly or jointly and severally) to subscribe for such Firm Placing Shares at the Offer Price in its agreed proportion.

The Firm Placees will not be able to participate in the Open Offer in respect of their Firm Placing Shares.

4.4 Placing and Open Offer

Under the Open Offer, Qualifying Shareholders are being given the opportunity to subscribe for New Ordinary Shares *pro rata* to their current holdings on the basis of 1 New Ordinary Share for every 13 Existing Ordinary Shares held by them and registered in their name at the Record Time (and so in proportion to any other number of Existing Ordinary Shares then held) on the terms and subject to the conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders, the Application Form). The Directors have irrevocably undertaken to participate, or, where applicable, procure that the registered holder of the Existing Ordinary Shares beneficially owned by them shall participate, in the Open Offer as Qualifying Shareholders in respect of the Existing Ordinary Shares held by them.

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their Open Offer Entitlements. Fractions of Open Offer Shares will not be allotted and each Qualifying Shareholder’s Open Offer Entitlements will be rounded down to the nearest whole number. Any fractional entitlements to Open Offer Shares will be aggregated and made available under the Excess Application Facility. Accordingly, Qualifying Shareholders with fewer than 13 Existing

Ordinary Shares will not be entitled to take up any Open Offer Shares. Holdings of Existing Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating Open Offer Entitlements.

Any New Ordinary Shares which are not applied for under the Open Offer will be allocated to Conditional Placees pursuant to the Placing. Pursuant to the Sponsor and Placing Agreement, to the extent that any Conditional Placee fails to subscribe for any New Ordinary Shares conditionally placed with it in the Placing and which are not validly taken up by Qualifying Shareholders under the Open Offer (including defaulting in paying the Offer Price in respect of such Open Offer Shares) ("Non-Taken Up Shares"), then each of the Joint Bookrunners has agreed, on the terms and subject to the conditions set out in the Sponsor and Placing Agreement, severally (and not jointly or jointly and severally) to subscribe for such Open Offer Shares at the Offer Price in its agreed proportion.

Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, the Open Offer Entitlements and Excess Open Offer Entitlements will not be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. New Ordinary Shares for which application has not been made under the Open Offer (including the Excess Application Facility) will not be sold in the market for the benefit of those who do not apply under the Open Offer (including the Excess Application Facility) and Qualifying Shareholders who do not apply to take up their entitlements will have no rights, and will not receive any benefit, under the Open Offer. Any Open Offer Shares which are not applied for under the Open Offer (including the Excess Application Facility) will be allocated to Conditional Placees pursuant to the Placing.

4.5 Dilution

The Firm Placing, the Placing and Open Offer and the issue of 24,092,457 Consideration Shares will result in 52,916,571 New Ordinary Shares being issued and the number of Ordinary Shares being increased from a total of 200,052,157 Ordinary Shares to a total of 252,968,728 Ordinary Shares, representing an increase of 26.5 per cent.

If a Qualifying Shareholder (who is not a Firm Placee or a Conditional Placee) does not take up any of their Open Offer Entitlements or Excess Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 20.9 per cent. as a result of the Firm Placing, the Placing and Open Offer and the issue of 24,092,457 Consideration Shares.

If a Qualifying Shareholder (who is not a Firm Placee or a Conditional Placee) takes up their Open Offer Entitlements in full (assuming he or she does not participate in the Excess Application Facility), such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 14.8 per cent. as a result of the Firm Placing, the Placing and Open Offer and the issue of 24,092,457 Consideration Shares.

4.6 Conditionality

The Equity Issuance is conditional upon the following:

- the Resolution being passed by Shareholders at the General Meeting;
- the Share Purchase Agreement becoming unconditional (other than in respect of the Admission of the New Ordinary Shares);
- the Sponsor and Placing Agreement becoming unconditional; and
- Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 29 April 2022 or such later time and/or date as the Company and the Joint Bookrunners may agree.

If any of the conditions are not satisfied or, if applicable, waived then the Equity Issuance will not take place.

5. Information relating to Marshalls plc

Marshalls is a complete external landscaping product business from design, planning and engineering to guidance and delivery. Its products include paving, block paving, kerb and edgings, drainage and water management solutions, protective street furniture, concrete bricks, masonry, walling and mortar, for both commercial and residential end-uses. The Group operates in three end-markets: domestic, public sector and commercial, and international.

The Group has a strong UK focus, with 94 per cent. of its sales being generated in the UK for the year ended 31 December 2021. The International division comprises a manufacturing and distribution site in Belgium and sales and administration offices in the USA and China.

For the year ended 31 December 2021, the Marshalls Group generated revenue of £589.3 million, an increase of 26 per cent. from the year ended 31 December 2020, and an increase of 9 per cent from the year ended 31 December 2019. For the year ended 31 December 2021, the Marshalls Group also reported that profit before taxation was £69.3 million and the basic earnings per share was 27.5p.

6. Information relating to the Target

The Marley Group was founded in 1924 and is a manufacturer and supplier of complete pitched roof systems, which includes concrete and clay roof tiles, roof fittings, timber battens, solar panels and roofing accessories to the construction market. The Marley Group has three reporting business divisions: the roofing division, the contracting division and the Viridian division.

The Marley Group derives almost all of its revenues from the UK, with only a small international presence.

In the year ended 31 December 2021, the Marley Group generated revenue of £172.6 million and reported an operating profit of £25.3 million. Marley Limited reported an Underlying EBITDA in the year ended 31 December 2021 of £49.5 million, compared to of £28.0 million in the comparative period in 2020.

7. Current trading and outlook

7.1 The Group

Market conditions have remained supportive over the last year, despite increasingly challenging supply chain pressures. The Group has performed well and delivered a record trading performance, despite experiencing issues with both raw material and labour shortages.

Trading remains strong and has continued to improve since the start of the year, notwithstanding ongoing supply chain challenges. At the end of February 2022 revenues were up 13 per cent and order volumes were up 5 per cent compared to the same period in 2021. Despite the terrible situation in Ukraine and the current geo-political uncertainties that prevail, the outlook for the construction market remains positive. This continues to be supported by strong forward indicators, particularly in our target markets in new build housing, road, rail and water management.

Adjusted EBITDA for the year ended 31 December 2021 was £107.1 million (2020: £57.6 million; 2019: £103.9 million). The Group's adjusted operating profit for the year ended 31 December 2021 was £76.2 million (2020: £27.2 million; 2019: £73.7 million) and was 3 per cent ahead of the 2019 comparative. The operating profit margin of 12.9 per cent for the year ended 31 December 2021 (2020: 5.8 per cent; 2019: 13.6 per cent) has been adversely impacted by the temporary effect of supply chain issues and by increased levels of overtime required as a consequence of labour shortages and absenteeism during COVID-19.

The reported operating profit for the year ended 31 December 2021 is after charging a number of adjusting items, the net impact of which was not material.

Adjusted profit before tax was £72.1 million (2020: £22.5 million; 2019: £69.9 million). Statutory profit before tax was £2.8 million lower than the adjusted result at £69.3 million reflecting the additional pension interest charge of £2.8 million (2020: £4.7 million; 2019: £69.9 million).

Capital discipline remains a key priority, and the Group's strong cash generation continued during the year which contributed to a significant reduction in Group net debt. Due to the supply chain challenges and raw material shortages experienced, the Group has increased its investment in inventory driven by higher shipping costs on imported product lines and its desire to maintain availability and customer service. Inventory at 31 December 2021 was £107.4 million (2020: £89.8 million; 2019: £89.2 million).

During the year ended 31 December 2021, capital expenditure amounted to £21.9 million, which was lower than the £30 million originally planned for 2021. Supply chain issues experienced during the year have led to delays in certain of the Group's capital expenditure projects. The Group continues to generate a good pipeline of capital investment projects that will drive future organic growth, and is now planning for capital investment of around £35 million in 2022.

Strong market positions, focused investment plans and an established brand underpin the Group's business strategy. The Directors remain confident that the Group's strategy will continue to deliver profitable long-term growth and that the Group will be able to mitigate raw material shortages and cost inflation through the effective management of its supply chain.

Given the strength of recent and current trading the Board's expectations for the current year are now ahead of its previous view.

7.2 The Marley Group

The Marley Group had a strong start to 2022 with net sales more than 5 per cent. ahead of budget for the period to 28 February 2022. EBIT and Underlying EBITDA for January and February 2022 were also ahead of expectation and the same period in the prior year. The UK market remains strong and the outlook for 2022 remains positive with confidence that targets will be achieved.

8. Intentions of the Marshalls Directors

Each of the Directors has irrevocably undertaken to: (i) vote, or, where applicable, procure that the registered holder of the Existing Ordinary Shares beneficially owned by them shall vote, in favour of the Resolution to be proposed at the General Meeting to approve the Acquisition; and (ii) take up in full, or, where applicable, procure that the registered holder of the Existing Ordinary Shares beneficially owned by them shall take up in full, their Open Offer Entitlements to subscribe for New Ordinary Shares, comprising, in aggregate, 400,550 Existing Ordinary Shares, representing, in aggregate, 0.2 per cent. of the issued share capital of the Company as at the Latest Practicable Date. In addition, Justin Lockwood (via a person closely associated with him) has agreed to subscribe for a total of 7,692 New Ordinary Shares in the Firm Placing (for further details see section 9.2 below). None of the other Directors will take part in either the Firm Placing or the Placing.

9. Significant commitments and related party transactions

9.1 Significant commitments

Major Shareholders

abrdn has committed to subscribe for: (i) 2,034,730 New Ordinary Shares at the Offer Price, pursuant to the Firm Placing; and (ii) 2,333,023 New Ordinary Shares at the Offer Price (subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer) pursuant to the Placing.

Following the Capital Raising and the issuance of the Consideration Shares, abrdn will, assuming that it takes up all of the 4,367,753 New Ordinary Shares which could be issued to it pursuant the Firm Placing and Placing, hold 14.6 per cent. of the Enlarged Shared Capital (being 36,853,906 Ordinary Shares, comprising 32,486,153 Existing Ordinary Shares and 4,367,753 New Ordinary Shares).

Montanaro Asset Management has committed to subscribe for: (i) 1,036,522 New Ordinary Shares at the Offer Price, pursuant to the Firm Placing; and (ii) 1,188,478 New Ordinary Shares at the Offer Price (subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer) pursuant to the Placing. Following the Capital Raising and the issuance of the Consideration Shares, Montanaro Asset Management will, assuming that it takes up all of the 2,225,000 New Ordinary Shares which could be issued to it pursuant the Firm Placing and Placing, hold 4.9 per cent. of the Enlarged Shared Capital (being 12,500,000 Ordinary Shares, comprising 10,275,000 Existing Ordinary Shares and 2,225,000 New Ordinary Shares).

Royal London Asset Management has committed to subscribe for: (i) 1,044,415 New Ordinary Shares at the Offer Price, pursuant to the Firm Placing; and (ii) 1,197,528 New Ordinary Shares at the Offer Price (subject to clawback to satisfy Open Offer Entitlements taken up by Qualifying Shareholders under the Open Offer) pursuant to the Placing. Following the Capital Raising and the issuance of the Consideration Shares, Royal London Asset Management will, assuming that it takes up all of the 2,241,943 New Ordinary Shares which could be issued to it pursuant the Firm Placing and Placing, hold 4.2 per cent. of the Enlarged Shared Capital (being 10,582,506 Ordinary Shares, comprising 8,340,563 Existing Ordinary Shares and 2,241,943 New Ordinary Shares).

9.2 **Related Party Transactions**

Major Shareholders

abrdn is a related party of the Company for the purposes of the Listing Rules as it is a substantial shareholder of the Company which is entitled to exercise, or control the exercise of, 16.2 per cent. of the votes able to be cast at general meetings of the Company (as at the Latest Practicable Date). The maximum aggregate value of the New Ordinary Shares to be issued to abrdn pursuant to the Firm Placing and the Placing is approximately £28 million. Accordingly, the issue of such New Ordinary Shares to abrdn constitutes a smaller related party transaction for the purposes of paragraph 11.1.10 of the Listing Rules.

Directors

Each Director is a related party of the Company for the purposes of the Listing Rules. Any New Ordinary Share issued to the Directors as a result of them taking up their Open Offer Entitlements are exempt from the rules regarding related party transactions under chapter 11 of the Listing Rules.

Justin Lockwood (via a person closely associated with him) will subscribe for 7,692 Firm Placing Shares at the Offer Price for the total amount of £50,000. This is therefore exempt from the rules regarding related party transactions under chapter 11 of the Listing Rules on account of its respective size.

None of the other Directors will take part in either the Firm Placing or the Placing.

10. **Dividends and dividend policy**

The Group continues to maintain a progressive dividend policy with the objective of achieving up to two times dividend cover over the business cycle. As earnings increase, the Group plans to share the increase between strengthening cover and progressively raising the rate of dividend.

The Group declared a 2021 interim dividend of 4.70 pence per share, which was announced on 19 August 2021 and paid on 1 December 2021 to Shareholders on the register at the close of business on 22 October 2021. On 17 March 2022, the Board recommended a final dividend of 9.60 pence per share, which would give a total dividend for the year ended 31 December 2021 of 14.30 pence per share.

11. **Share Plans**

In accordance with the rules of the MIP, BSP and SAYE (as applicable), outstanding options and awards, and any applicable exercise price and/or performance conditions, may be adjusted to take account of the Open Offer. This is subject to the prior approval (where required) of the relevant tax authorities. Participants in the MIP, BSP and SAYE will be advised separately of any such adjustments.

Participants in the SIP and the MIP will be advised separately with regard to the impact of the Open Offer on the Ordinary Shares held for them under the SIP or MIP (as applicable) and as to any entitlement to participate in the Open Offer.

12. Admission of the New Ordinary Shares

Application will be made to the FCA for the New Ordinary Shares to be listed on the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective, and that dealings in the New Ordinary Shares will commence, by 8.00 a.m. on 29 April 2022.

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares and rank in full for all dividends and distributions declared in respect of Ordinary Shares after their issue.

13. General meeting

A notice convening a general meeting of the Company to be held at 09.30 a.m. on 28 April 2022 at Landscape House, Premier Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9HT is set out in Part XXI of this document (*Notice of General Meeting*). A Form of Proxy to be used in connection with the General Meeting is enclosed. The purpose of the General Meeting is to seek Shareholders' approval of the Resolution to approve the Acquisition pursuant to the terms and subject to the conditions contained in the Share Purchase Agreement.

Please note, this is not the full text of the Resolution and you should read this section 13 in conjunction with the Notice of General Meeting set out in Part XXI of this document.

14. Actions to be taken

14.1 In respect of the general meeting

Shareholders are invited to send any questions to the Company Secretary by email (legal@marshalls.co.uk) in advance of the General Meeting.

A Form of Proxy for use in connection with the General Meeting is enclosed with this document. Whether or not you intend to attend the General Meeting in person, to be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed on it so as to be received by the Company's Registrars, Computershare Investor Services PLC, as soon as possible and, in any event, by no later than 09.30 a.m. on 26 April 2022. You may also submit your proxy electronically at www.investorcentre.co.uk/eproxy using the Control Number, PIN and Shareholder Reference Number (SRN) on the Form of Proxy, by no later than 09.30 a.m. on 26 April 2022. Full instructions are given on the website.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number 3RA50) by the latest time(s) for receipt of proxy appointments specified in this Notice. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

14.2 In respect of the Open Offer

The latest time and date for acceptance and payment in full in respect of the Open Offer is expected to be 11.00 a.m. on 27 April 2022, unless otherwise announced by the Company.

Please refer to Part XI (*Terms and Conditions of the Capital Raising*) for further details of the Open Offer and the action to be taken, including the procedure for acceptance and payment. Further details also appear in the Application Form which will be sent to all Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, those Qualifying Non-CREST Shareholders with a registered address in the Restricted Jurisdictions).

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Open Offer.

If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the FSMA or, if you are outside the UK, by another appropriately authorised independent financial adviser.

15. Financial advice

The Directors have received financial advice from Rothschild & Co (as financial adviser and Sponsor) in relation to the Acquisition. In providing such financial advice to the Directors, Rothschild & Co have relied upon the Directors' commercial assessments of the Acquisition.

16. Further information

Your attention is drawn to the Risk Factors set out on pages 14 to 33 of this document, and to the information set out Part III (*Important Information*) of this document.

You should not subscribe for any New Ordinary Shares except on the basis of information contained or incorporated by reference into this document.

17. Board Recommendation

The Board considers the Acquisition to be in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommend that Shareholders vote in favour of the Resolution at the General Meeting.

The Directors have irrevocably undertaken to vote or, where applicable, procure that the registered holder of the Ordinary Shares beneficially owned by them shall vote, in favour of the Resolution at the General Meeting in respect of their respective individual beneficial holdings of Ordinary Shares, being in aggregate 400,550 Ordinary Shares representing approximately 0.2 per cent. of the total voting rights in the Company as the Latest Practicable Date.

Yours faithfully,

Vanda Murray OBE
Chair

PART VIII

INFORMATION ON MARSHALLS PLC

1. INTRODUCTION

Marshalls is a complete external landscaping, paving and flooring products business, from planning and engineering, to guidance and delivery. The Group has manufacturing plants, quarries and distribution sites across the UK. Marshalls also has a manufacturing and trading operation in Belgium.

2. HISTORY AND DEVELOPMENT

Solomon Marshalls began quarrying stone in and around Southowram, Halifax on small areas of leased land. The main products being riven stone for walling and paving. This led to the first company in the Group being founded in 1904, known as S. Marshalls and Sons Limited.

There then followed a period of sustained expansion, which included the development of large-scale quarries, the production of concrete flags and precast products, the launch of Marshalite walling and Pennine paving production and various acquisitions (including Marshalls' main competitor, Brookes Limited, in 1970, Rhino Protec (a manufacturer of steel bollards and security products) in 2000 and Stancliffe Stone (a manufacturer of natural stone products) in 2001).

Marshalls plc was incorporated as the Group's new holding company in April 2004 before re-registering as a public company in May 2004 and, shortly thereafter, listing on the London Stock Exchange.

From 2011, Marshalls sought to develop an international presence to complement its market leading position in the UK. The first step was the establishment of a joint venture, Marshalls NV, in Belgium, which supplies products to Benelux, France and Germany. This was quickly followed in 2012 with the opening of an office in Xiamen, China, to service the Asian market and act as a quality control office for the inspection of granites and natural stone sourced from the Far East, and in 2013 with the incorporation of Marshalls Landscape Products (North America) Inc. in the USA.

The Group acquired CPM Group Limited and Edenhall Holdings Limited in 2017 and 2018, respectively.

3. STRATEGY AND STRENGTHS

3.1 Strategy

The Group's aim is to become the UK's leading manufacturer of products for the built environment, focusing particularly on maintaining a strong balance sheet, a flexible capital structure and a clear capital allocation policy. The Directors believe that the following areas are key to achieving this.

- (A) *Brand preference for product specification*: the Group aims to create product specifications by using its strong brand, communicating well with its customer segments and having early involvement in projects, whilst continuing to build brand preference through new product development and innovation (which will be helped with the additional capability from the new dual block plant that is being constructed in St Ives, Cambridge).
- (B) *Logistics excellence*: the Group's objective is to deliver logistics excellence with greener vehicles and new technology across its full fleet.
- (C) *Sustainable materials supply*: as part of its commitment to protecting the environment, the Group aims to do business responsibly and ethically, by: sourcing and supplying sustainable materials, products and solutions; minimising the environmental impact of its products; reducing packaging; and the recycling of water at its sites.
- (D) *Operational excellence*: the Group aims to deliver operational excellence by investing in new projects to increase production capacity and improve efficiency (for example, through the Group's investment in the new dual block plant in St Ives, Cambridge).

- (E) *Growth in the emerging businesses*: the Group makes selective acquisitions to complement its business and to help with advancement into new and untapped growth areas.
- (F) *Customer centricity*: the Group aims to deliver a market leading customer service. The Group has an experienced customer service team co-ordinating functional departments, including sales, production, e-commerce and haulage.
- (G) *New product development*: the Group is focused on creating new and innovative products. The Group's manufacturing facilities now have capacity to produce 152 million concrete bricks each year, which, compared with the clay brick alternative, reduces the carbon dioxide emissions over the lifetime of the brick by approximately 49 per cent.
- (H) *Digital transformation*: the Group aims to continue investing in digital technology. The Group has made significant developments in a number of areas, including the use of digital technologies to reduce face to face interactions and safeguard employee health and wellbeing, and the use of visualisation and QR technologies to provide on-line product certainty and contactless delivery.

3.2 **Strengths**

The Directors believe that the following strengths will enable it to achieve its strategic objectives.

- (A) *Growth agenda*: the Group's strategy is driven by organic growth, digital investment and selective acquisitions. In order to drive future growth, the Group continues to target the areas of the market with the greatest growth potential and is committed to increasing organic investment significantly over the medium term, with a capital investment of £35 million planned for 2022 (compared to capital investment of £24 million in 2021).
- (B) *Innovation and new product development*: the Group also continues to focus on innovation and new product development. In the last three years, the Group has developed 142 new product ranges. The Directors believe that the development pipeline will continue to be strong and the Group is committed to providing sustainable, high performance product solutions. These include investment in technologies to enhance the development of cement-free product solutions.
- (C) *Commitment to sustainability*: in addition to developing cement-free product solutions, Marshalls has forged ahead with its commitment to carbon reduction with a variety of projects including reducing plastic packaging, trialling new modes of product transport and assessing site solar energy capabilities.
- (D) *Strong and efficient balance sheet*: the Group retains a strong balance sheet supported by a flexible capital structure and maintains good headroom against bank facilities, taking into account the new acquisition financing for the acquisition of Marley and the refinancing of its existing debt facilities, which will support its investment priorities going forward. As at 31 December 2021, the Group had net debt of £41.1 million (2020: £75.6 million; 2019: £60.0 million) and net positive cash of £0.1 million on a pre-IFRS 16 basis. This reflects the improved trading performance and the Group's continued close monitoring of cash flows.

4. **BUSINESS OVERVIEW**

The Group operates in three end-markets: domestic, public sector and commercial, and international.

- (A) *Domestic*: With customers ranging from DIY enthusiasts to professional landscapers, driveway installers and garden designers, Marshalls specialises in helping homeowners create beautiful, yet practical, outdoor spaces with product offerings ranging from paving and patio slabs, driveway paving stones, natural stone, kerb and garden path edging, artificial grass and walling products. Sales in this sector were £167 million in 2021, which represented approximately 28 per cent. of the Group's sales in 2021 and an increase of 30 per cent. compared to the year ended 31 December 2020 and 18 per cent. compared to the year ended 31 December 2019.

- (B) *Public sector and commercial:* Marshalls satisfies the needs of a diverse commercial customer base, including local authorities, commercial architects, specifiers, contractors and housebuilders. The Group's commercial landscaping products range from block paving, paving flags, kerb stones, natural stone, sustainable drainage systems, street furniture and walling. Sales in this sector were £389 million in 2021, which represented approximately 66 per cent. of the Group's sales in 2021 and an increase of 26 per cent. compared to the year ended 31 December 2020 and 6 per cent. compared to the year ended 31 December 2019 (when adjusted for the impact on sales caused by the planned reduction in the Company's Mortars and Screed sites in the first half of 2020).
- (C) *International:* The Group's international operations comprise a manufacturing site in Belgium and sales and administrations offices in the USA and China. Sales in the international business were up 6 per cent. compared to the year ended 31 December 2020 and 23 per cent. compared to the year ended 31 December 2019. Sales in this sector represented 6 per cent. of the Group's sales in 2021.

For the year ended 31 December 2021, the Marshalls Group generated revenue of £589.3 million, an increase of 26 per cent. from the year ended 31 December 2020, and an increase of 9 per cent. from the year ended 31 December 2019.

5. PRODUCT OVERVIEW

5.1 Paving

The Company's paving offering comprises five types of products: commercial paving, concrete block paving, decorative paving, commercial natural stone and domestic natural stone.

- (A) *Commercial paving:* Marshalls produces concrete flagstones for commercial use which are designed to withstand high footfall. Marshalls is also developing different finishes, which will increase customer choice, enhance manufacturing efficiency and reduce the complexity and cost of the products.
- (B) *Concrete block paving:* These products are used in areas with high levels of vehicular traffic and increasingly in mixed-use projects. Priora, the Company's permeable paving product, is increasingly popular and enables water to pass into the ground, reducing the risk of flooding.
- (C) *Decorative paving:* Marshalls also produces a range of decorative paving products, from low cost options to high-end stylish products, using recycled water and aggregates in the manufacturing process. A potential area of growth is the strong demand for imported porcelain patio products and this is a focus for the Company's research and development team.
- (D) *Commercial natural stone:* Marshalls has an extensive range of ethically sourced natural stone paving products including granites, sandstones and Yorkstone. Marshalls has also developed a number of accessory products, such as bedding concrete, a slurry primer and jointing grout, all of which can be used with these natural products.
- (E) *Domestic natural stone:* Marshalls has expanded its natural stone range for use in domestic projects to include limestone, marble and slate, as well as Indian sandstone. All the domestic natural stone products are "Fairstone" marked. This assures that all such products are produced in compliance with clear ethical standards and that the supply chain is fully audited.

5.2 Kerbs and edgings

Marshalls also produces kerbs and edgings which are generally used in commercial, civil engineering and residential projects. Different products are designed depending on the required specification. For instance, Marshalls offers specialist bus stop and high containment kerbs and the required edgings.

5.3 Civils and drainage

Marshalls produces several civils and drainage products, including below ground drainage systems and water management solutions. These products are used by a range of customers for residential, commercial and infrastructure projects.

5.4 Brick and masonry

Marshalls designs, manufactures and delivers a number of brick and masonry products which are utilised in social housing, high-end private housing, infrastructure projects and commercial projects.

5.5 Landscape protection

The Company's landscape protection range consists of street furniture and vehicle mitigation products which are designed to keep people safe but also blend into the environment. The customers are mostly public sector entities or construction companies.

5.6 Mortars and screeds

Marshalls has a variety of ready-mixed and coloured mortars and traditional and liquid screeds which are sold to the construction industry. Marshalls also offers sand and lime sand.

5.7 Aggregates

Marshalls offers stone building aggregates, block stone and sand to the construction industry, with dimensional stone products being sold into certain international markets.

6. REGULATORY ENVIRONMENT

There have been no material changes in the Company's regulatory environment since the period covered by the latest published audited financial statements.

7. INVESTMENTS

The Group has not made any material investments since the date of its last published financial statements and no firm commitments have been made in respect of any future material investments.

8. EMPLOYEES

As at 31 December 2021, the Group had 2,700 employees (including 102 apprentices) and is committed to supporting their professional development. The health, safety and well-being of employees is a key priority of the Group and, during 2021, the Group provided a number of mandatory and non-mandatory training courses, as well as webinars focused on mental health and wellbeing.

The Group also has a number of employee engagement initiatives, including an 'Employee Voice Group' which acts as a sounding board for change and developments at Marshalls and the 'Your Voice' initiative which actively seeks employee feedback on various matters, including their life at Marshalls and their wellbeing.

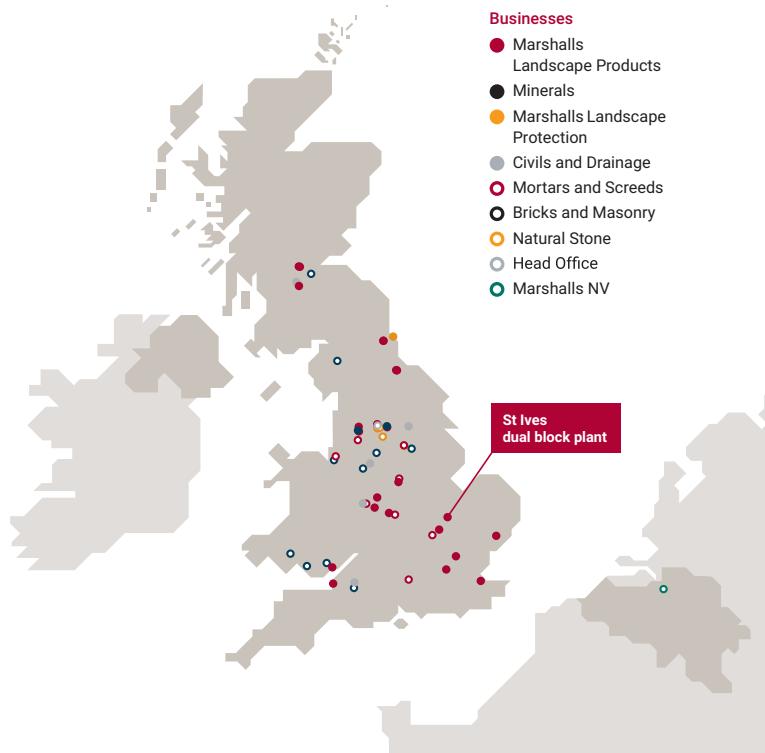
9. INTELLECTUAL PROPERTY

The Group owns a comprehensive portfolio of trademarks, patents, design rights and domain names to protect its brands in all markets in which the Group operates. As at 31 December 2021, the Group had more than 565 trademarks registered worldwide across a variety of Use Classes and 432 registered design rights, including 'Marshalls', the ammonite logo, and other trade names under which the Group markets its products, as well as material accompanying logos and images.

The Group regards its intellectual property portfolio as having significant value and as being important factors in the marketing of its products. The Group's policy is to pursue registration of its trademarks and design rights where possible with the assistance and expertise of its external intellectual property advisers, but the Group also relies on a combination of protections provided by contracts, copyrights, legislation, and other common law rights.

10. MATERIAL PROPERTIES

The Marshalls group has manufacturing plants, quarries and distribution sites across the UK to ensure proximity to customers and an efficient logistics footprint. Marshalls also has a manufacturing and trading operation in Belgium. The map below shows the geographic locations out of which the Marshalls Group operates in the UK.



At the start of 2021, the Group reopened its Maltby site with a new manufacturing facility to supply the Marshalls concrete brick, which will allow the Group to grow sales in the housebuilding sector.

The following table provides details of the Group's sites as at 24 January 2022, including the Group's Head Office and its site in Belgium.

Use	Facility location	Tenure	Lease expiry
Head Office	Landscape House	Leasehold	2037
Concrete Block Paving			
	Carluke	Freehold	n/a
	Eaglescliffe	Freehold	n/a
	Falkirk	Freehold	n/a
	Newport	Freehold	n/a
	Ramsbottom	Freehold	n/a
	Sandy	Leasehold	2070
	Southowram 1	Freehold	n/a
	Southowram 2	Freehold	n/a
	St Ives	Freehold	n/a
	Sittingbourne	Freehold	n/a
	Belgium	Leasehold	2030

Use	Facility location	Tenure	Lease expiry
Concrete Bricks			
	Bridgend	Leasehold	2038
	Buxton	Leasehold	2038
	Chester	Freehold	n/a
	Maltby	Freehold	n/a
	Penrith	Leasehold	2053
	Ranskill	Leasehold	2022
	Shepton Mallet	Freehold	n/a
Civils & Drainage	Mells (Somerset)	Freehold	n/a
	Pollington (Goole)	Freehold	n/a
Mortar & Screed	Birmingham	Leasehold	2022
	Bedford	Leasehold	2024
	Gateshead	Leasehold	2030
	Howley Park	Freehold	n/a
Landscape Protection	North Shields	Leasehold	2024
Quarry	Appleton	Freehold	n/a
	Birkhams	Freehold	n/a
	Dale View	Leasehold	2026
	Doddington	Freehold	n/a
	Locharbriggs	Freehold	n/a
	Howley Park	Freehold	n/a
	Moselden	Freehold	n/a
	Pasture House (Southowram)	Freehold	n/a
	Scout Moor	Leasehold	2024
	Scratchmill Scar	Freehold	n/a
	Sovereign	Freehold	n/a
	Stoke Hall	Freehold	n/a
	West Brownrigg	Freehold	n/a

11. INSURANCE

The Group maintains insurance policies for property damage and business interruption, employer's liability, and directors' and officers' liabilities. Other miscellaneous insurance policies are in effect covering the Group's assets and operations for each of its businesses. The Directors believe that the Group's insurance coverage is in accordance with industry custom, including the terms of and the coverage provided by such insurance. The Group's policies are subject to standard deductions, exclusions and other limitations and therefore insurance might not necessarily cover all losses incurred by the Group (such as terrorist attacks, cyber-attacks or sabotage). The Group cannot provide any assurance that it will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, the Marley Group's insurance policies.

12. RISK MANAGEMENT

12.1 Approach

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

12.2 Process

There is a formal ongoing process to identify, assess and analyse risks and those of a potentially significant nature are included in the Group Risk Register. The Group Risk Register is updated by the full Executive Management team at least every 6 months and the overall process is the subject of regular review by the Board. Risks are recorded with a full analysis and risk owners are nominated who have authority and responsibility for assessing and managing the risk. KPMG

as the Group's Internal Auditor, regularly attends the risk review meetings. All risks are aligned with the Group's strategic objectives and each risk is analysed in terms of likelihood and impact to the business and the determination of a "gross risk score" enables risk exposure to be prioritised.

The Group seeks to mitigate exposure to all forms of strategic, financial and operational risk, both external and internal. The effectiveness of key mitigating controls is continually monitored and such controls are subjected to internal audit and periodic testing in order to provide independent verification where this is deemed appropriate. The effectiveness and impact of key controls are evaluated and this is used to determine a "net risk score" for each risk. The process is used to develop detailed action plans that are used to manage, or respond to, the risks and these are monitored and reviewed on a regular basis by the Group's Audit Committee.

The Group has a formal framework for the ongoing assessment of operational, financial and IT-based controls. The overriding objective is to gain assurance that the control framework is complete and that the individual controls are operating effectively. Additional independent verification checking of key controls and reconciliations are undertaken on a rolling basis. Such testing includes key controls over access to, and changing permissions on, base data and metadata.

12.3 Risk appetite

The Group is prepared to accept a certain level of risk to remain competitive but continues to adopt a conservative approach to risk management. The risk framework is robust and provides clarity in determining the risks faced and the level of risk that the Group is prepared to accept. The Group's strategies are designed to either treat, transfer or terminate the source of the identified risk.

There are well-established procedures to identify, monitor and manage risk and, within the internal control framework, policies and procedures are reviewed on an ongoing basis.

13. ENVIRONMENTAL MEASURES

The Group's long-term strategy continues to include an increasingly strong ESG agenda, which is fully integrated into business operations, and its central sustainability objective is to create better futures for everyone, socially, environmentally and economically. Its ESG strategy continues to generate opportunities, which are a source of competitive advantage.

Marshalls aims to give full consideration to the long-term impact of all business operations, which means that all of its products and services need to be ethically sourced and sustainable. The Directors believe that sustainable sourcing is an essential part of its business model. The Group joined the Ethical Trading Initiative in 2006 and continues to support the United Nations Global Compact sustainable development goals, and maintains a detailed framework of comprehensive policies covering the environment, human rights, labour, anti-corruption and governance including a commitment to being net zero by 2030.

The Group aims to install certified renewable power on all major production facilities by 2030, and to reduce scope 1 and 2 greenhouse gas emissions by 40 per cent per tonne of production by 2030 from a 2018 base year. With respect to scope 3 emissions, the Group has also committed that 73 per cent of its suppliers by emissions will have science-based targets by 2024. These emission reduction targets have been approved by the Science Based Targets initiative, and the Group was the first company in its sector to achieve this accreditation. The Group continues to reduce its water and timber usage and its plastic consumption has reduced by over 30 per cent since 2013.

PART IX

INFORMATION ON THE TARGET

1. INTRODUCTION

The Marley Group is a leader in the manufacture and supply of pitched roof systems to the GB construction market, through its three main channel partners, comprising builders' merchants (31 per cent, FY21), roofing merchants (53 per cent, FY21) and roofing contractors (16 per cent, FY21).

2. BUSINESS OVERVIEW

The Marley Group operates three reporting units, comprising the roofing division, the contracting division and the solar division, as set out below:

- (A) *Roofing division*: the Marley Group is the largest manufacturer of roofing tiles in Great Britain and primarily manufactures concrete and clay tiles, having a total tile production capacity of 11.0 million m² per annum; the range of coverings also includes cedar shingles and shakes. The Marley Group complements its roof tile range with a full range of concrete and clay fittings, and a small range of handmade and made-to-order fittings are also produced to meet specific customer requirements. In addition, the Marley Group supplies a comprehensive range of roofing accessories and ancillary products to complement its offering of roof coverings. These include ventilation, dry-fix, fire protection, underlays and fixings. The Marley Group also manufactures a full range of timber roofing battens.
- (B) *Contracting division*: the Marley Group operates a contracting division in Scotland, primarily offering roofing and main contracting services. This division operates out of the Marley Group's site in Glasgow, on an arms-length basis, acting as another customer of Marley.
- (C) *Solar division*: the Marley Group supplies roof-integrated solar photo-voltaic panels branded as Viridian Solar and Marley SolarTile, which are manufactured to Marley design specifications by third-party suppliers. The solar panels are designed to be integrated into the Marley roof system, offering specifiers the ability to introduce renewable energy solutions into the roofscape, and are also compatible with all other tile and slate roof coverings.

In the year ended 31 December 2021, the Marley Group generated revenue of £172.6 million and reported an operating profit of £25.3 million. Marley Limited reported an Underlying EBITDA in the year ended 31 December 2021 of £49.5 million, compared to of £28.0 million in the comparative period in 2020.

3. PRODUCTS OVERVIEW

The Marley Group offers a broad range of complementary products, primarily comprising concrete and clay roof tiles, timber battens, roof fittings, solar panels and roofing accessories. The following diagram shows the key components of the Marley Group's pitched roofing system.



3.1 Complete roof system

The Marley Group has offered a pitched roof solution since the 1920s. In the 1980s, pitched roofs were enhanced with the addition of a growing number of roofing accessories for dry fix and ventilation of the roofscape. Over the past decade, Marley has enhanced its roof system offering further, particularly with the addition of timber battens and roof-integrated solar panels.

3.2 Concrete roof tiles

The Marley Group manufactures and supplies 11 different profiles of concrete roof tiles, including plain tiles and single lap interlocking tiles, with a range of pitch and colour options. The Marley Group's concrete roof tiles are sold primarily for use in residential building construction, both in the new build and RMI sectors, and to a lesser extent for commercial buildings. The Marley Group also produces a range of concrete fittings to complement its concrete tile offering, including various ridges, hips, valleys, verge and feature tiles. In the year ended 31 December 2021, the Marley Group generated revenue through the sale of concrete roof tiles and fittings representing approximately 46 per cent. of its revenue for the period.

3.3 Clay roof tiles

The Marley Group manufactures and supplies seven different product types of clay roof tiles, including plain tiles and interlocking tiles, with a range of colour, texture and camber options. The Marley Group also provides a clay creasing tile which is used in non-roofing applications. Clay tiles provide customers with a more natural look, which is generally longer lasting than a concrete tile. Accordingly, clay tiles are generally offered by the Marley Group at a higher price point per m² than their corresponding concrete tiles. The Marley Group's clay roof tiles are sold primarily for use in residential building construction, both in the new build and RMI sectors, and to a lesser extent for commercial buildings. In the year ended 31 December 2021, the Marley Group generated revenue through the sale of clay roof tiles and fittings representing approximately 14 per cent. of its revenue for the period.

As part of the Marley Group's range of clay tiles, it also manufactures 'double camber' tiles, which provide an enhanced roof aesthetic. In addition, the Marley Group produces a range of clay fittings to complement its clay tile offering, including various ridges, hips, valleys, verge and feature tiles, plus fittings that allow vertical tile hanging for cladding applications.

3.4 Timber battens

The Marley Group manufactures and supplies timber roofing battens, which generally form part of the base layer of a pitched roof, acting as the fixing point for a customer's chosen roofing material. The Marley Group's primary timber batten is the JB Red batten, which is treated and graded as BS 5534 compliant for use as roofing battens. In the year ended 31 December 2021, the Marley Group generated revenue through the sale of timber battens representing approximately 22 per cent. of its revenue for the period.

3.5 Solar roof tiles

Following the Viridian Acquisition, the Marley Group extended its offering of clean, renewable energy systems, through the distribution of roof integrated solar photo-voltaic panels branded as Viridian Solar and Marley SolarTile. The incorporation of solar panels allows roofs to become a mainstream element of the renewable energy economy, forming part of a broader energy solution.

The Marley SolarTile is compatible with the entire range of Marley roof coverings, including concrete and clay roof tiles, and it is also suitable for installation with competitor tiles and slates. There are three models of solar photo-voltaic roof tile distributed by the Marley Group, each of which act as a roof covering and low-profile electricity generating solution. The solar photo-voltaic roof tiles are offered in conjunction with the Marley Group's proprietary roofing kit, which works with all common tiles and slate. In the year ended 31 December 2021, the Marley Group generated revenue through the sale of solar roof tiles representing approximately 8 per cent. of its revenue for the period.

3.6 Roofing accessories

The Marley Group supplies a range of roofing accessories, including:

- (A) *Underlays*: offering a range of high resistance (non-breathable underlays or non-vapour permeable underlays) and low resistance (breathable or vapour permeable membranes) roofing underlays, which provide different weather-resistant solutions depending upon ventilation requirements.
- (B) *Dry-fix/ventilation*: offering a mechanically secure alternative to traditional mortar bedding for hips, ridges and verges, which also provide additional ventilation to the roof space and batten cavity.
- (C) *Fire protection/roof defence*: offering a roof cavity barrier, which helps prevent the spread of fire and smoke between adjoining properties in semi-detached and terraced houses and preventing the spread of flame in compartmentalised roof spaces.
- (D) *Fixings*: offering robust mechanical roof fixings, such as nails and clips for fixing tiles, ridges, verges and other roof details, designed to address concerns on the impact of roof fixings from severe weather.

The various accessories are designed to work together with other Marley Group products, to offer a solution that is simple to install and requires minimal on-going maintenance. The Marley Group's accessories are used primarily in residential building construction, both in the new build and RMI sectors, and to a lesser extent for commercial buildings. In the year ended 31 December 2021, the Marley Group generated revenue through the sale of roofing accessories representing approximately 5 per cent. of its revenue for the period.

3.7 Contracting services

The Marley Group operates a contracting division in Scotland, primarily offering roofing services (such as roofing installations) and main contracting services (such as the management of contract works for local authorities). This division operates out of the Marley Group's site in Glasgow, on an arms-length basis, acting as another customer of Marley. The contracting division supports the Marley Group's strong position in the pitched roofing industry and provides the Marley Group with good market and customer insight for the innovation and testing of new roofing products and bringing products to market. The Marley Group's contracting division uses its own employees, completing predominantly new housing, housing re-roofing and commercial roofing projects. In the year ended 31 December 2021, the Marley Group generated revenue through its contracting division representing approximately 5 per cent. of its revenue for the period.

3.8 Ancillary products

The Marley Group distributes a range of cedar shingles and shakes, which offer a natural and lightweight roofing or façade finish. Shingles and shakes generally have a lower carbon footprint and provide high levels of resistance to different weathers and temperatures.

In addition, the Marley Group produces a range of commercial timber decking. The Marley Group's decking products have been developed for strength and stability using sustainably sourced European Redwood. The Marley Group's decking products are used primarily in commercial spaces.

4. STRENGTHS

The Directors believe that the Marley Group benefits from the following competitive strengths:

- (A) *Market-leading brand with around 100 years of heritage*: Marley is a highly recognised and market leading brand, with around 100 years of operating history in the UK.
- (B) *Comprehensive pitched roofing systems*: the Directors believe the structural growth in the UK pitched roofing market, including steady growth across product types, underpins core opportunities for the Marley Group. The Marley Group's product offering includes concrete and

clay roof tiles, roof fittings, timber battens, solar panels and roofing accessories – a complete roof solution – with strong market positions in each of Marley’s core product categories.

- (C) *Significant exposure to attractive underlying end markets:* Marley has significant exposure to the cyclically resilient and structurally growing UK RMI market. The Directors believe exposure to the RMI construction sector provides resilience when new housing demand may be lower. In addition, the UK new build housing sector has a structural deficit, ensuring a long-term residential growth requirement.
- (D) *Commercial strategy:* the Marley Group has invested a significant amount of time in its relationship with key specifiers and influencers (e.g., planners and quantity surveyors) to generate strong ‘pull’ demand for its products.
- (E) *Network of strategically located sites with opportunities to drive operational and ESG gains:* the Directors believe that there is opportunity to improve the efficiency of the manufacturing operations at the Marley Group’s sites across the UK, including five production facilities with a low capital requirement.
- (F) *Growth opportunities:* Marley has a track record of successfully enhancing its product offering through acquisitions and the Directors believe it is well positioned to capitalise on significant growth opportunities (including by leveraging the Company’s operational and manufacturing skillset to improve efficiency, investing in capacity and efficiency improvements on faster growth products, continuing to add roofing components and accessories to the Marley roof system, pursuing vertical integration to enhance margins, and extending product range and breadth).
- (G) *Financial performance:* Marley has a proven track record of growth of profits and cash generation. Further, it has a sustained 20%+ Underlying EBITDA margin⁹ over the 2019 to 2021 financial years.

5. EMPLOYEES

As at 31 December 2021, the Marley Group had 569 employees, the vast majority of whom worked in the UK. There are currently two trade unions recognised by the Marley Group, being GMB in relation to the Glasgow site and the Beenham site and Unite in relation to the Burton site and the Keele site (the “**Local Arrangements**”). The union arrangements cover all hourly paid employees at the relevant locations (comprising approximately 49 per cent. of the Marley Group’s employees as at 31 December 2021). The trade union arrangements provide for a broad range of protections, including the ability for the relevant union to negotiate rates of pay, holiday and working hours. In addition, there is a “Flex Agreement” relating to the 34 employees at Gainsborough, which applies to all employees at that site and outlines a number of working arrangements including banked hours and non-working shifts.

6. INTELLECTUAL PROPERTY

The Marley Group owns a significant number of registered intellectual property rights, including trademarks, patents, designs and an extensive range of domain names.

In particular, as of 9 March 2022, the Marley Group owns 156 trademarks worldwide. These trademarks primarily relate to the Marley Group’s main brand names and logos.

Further, as of 9 March 2022, the Marley Group also owned 6 granted patents in the UK and Ireland (with a further 5 pending) and 4 registered designs. The Marley Group relies on certain unpatented proprietary expertise, continuing technological process innovations and other trade secrets to develop and maintain its competitive position. The Marley Group also owns 140 domain names.

7. PROPERTIES

The Marley Group manufactures its tiles across three concrete tile facilities and one clay tile facility – providing the Marley Group with the ability to maintain full control over the entire production process. Whilst the Marley Group owns a clay quarry, located in close proximity to its Keele clay tile factory, all of the clay currently used in the manufacture of the Marley Group’s clay roof tiles is provided to the Marley Group at market rates by a single supplier on a long-term supply contract (expiring in December

⁹ Calculated as Underlying EBITDA as a percentage of revenue.

2032). In general, the Marley Group's manufacturing facilities retain additional production capacity available for growth, with 11.0m² total tile production capacity in the roof area. The Marley Group also has one timber batten production facility strategically located in Gainsborough, which provides access to key timber shipping routes from Scandinavia via the North Sea.

The Marley Group has a portfolio of production and distribution facilities with additional production capacity available for growth. The following table provides details of the Marley Group's production and distribution facilities in the UK as at 31 December 2021.¹⁰

Facility location	Use	Tenure	Lease expiry
Beenham, Reading, England	Concrete tile facility	Freehold	n/a
Branston, Burton, England	Concrete tile facility	Freehold	n/a
Cadder, Glasgow, Scotland	Concrete tile facility	Freehold	n/a
Keele, Cheshire, England	Clay tile facility 1	Freehold	n/a
Beckingham, Gainsborough, England	Graded timber facility	Freehold	n/a
Copshurst, Cheshire, England	Clay quarry	Freehold	n/a
Wrotham, Kent, England	Distribution centre	Freehold	n/a
Bridgend, Mid Glamorgan, Wales	Distribution centre	Freehold	n/a
Papworth Everard, Cambridgeshire, England	Solar panel facility	Leasehold	2029

8. ENVIRONMENTAL AND HEALTH AND SAFETY MEASURES

The Marley Group's products are inherently sustainable building materials as they are durable, require little maintenance and can be recycled at the end of their use.

The Marley Group also actively monitors its emissions, with inspections and reports being shared with the local authorities. In addition, the Marley Group tests water discharges at its sites to check for continual compliance for suspended solids, and on some locations, pH levels in line with water quality rules and regulations.

The Marley Group diverts 100 per cent. of its timber and concrete waste from landfill. For instance, all concrete waste generated by the Marley Group's operations are recycled and reused in its processes. Water is also recycled and reused on site wherever practicable to reduce the volume of mains water consumption.

The Marley Group undertakes internal environmental assessments, with external EHS assessments being undertaken on an *ad hoc* basis. It also conducts biodiversity studies on its sites to investigate and support protected wildlife. The Marley Group's operations are controlled and legislated by various regulatory bodies such as the Environment Agency and the Planning Authorities, who in turn carry out regular checks to ensure appropriate compliance with relevant enabling permissions, consents and conditions.

The Marley Group has a team who are specifically responsible for occupational health and safety, supporting employees in all aspects of health and safety management and leadership.

9. INSURANCE

The Marley Group maintains insurance policies for property damage and business interruption, employer's liability, and directors' and officers' liabilities. Other miscellaneous insurance policies are in effect covering the Marley Group's assets and operations for each of its businesses. The Marley Group's policies are subject to standard deductions, exclusions and other limitations and therefore insurance might not necessarily cover all losses incurred by the Marley Group (such as terrorist attacks, cyber-attacks or sabotage). The Marley Group cannot provide any assurance that it will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, the Marley Group's insurance policies.

¹⁰ In March 2022, Marley entered into a sale and leaseback arrangement in relation to the Wrotham site. Pursuant to this arrangement, Marley entered into a lease with the purchaser of the Wrotham site with effect from completion of the sale. Such lease is expected to terminate when Marley have procured a new replacement unit on a leasehold basis.

PART X

TERMS OF THE ACQUISITION

1. OVERVIEW

The Acquisition will be implemented through the Share Purchase Agreement. Pursuant to the terms of the Share Purchase Agreement and the Put and Call Option Deed, the Company will issue Consideration Shares to the Sellers in connection with the consideration payable. The Company is expected to issue 24,092,457 Consideration Shares at 680 pence per Consideration Share (with the final number of Consideration Shares to be issued at Completion to be determined under the Share Purchase Agreement). A summary of the Share Purchase Agreement is set out in section 2 below.

2. SUMMARY OF THE SHARE PURCHASE AGREEMENT

2.1 Parties and structure

On 6 April 2022, the Company, Marshalls Group Limited and the Sellers entered into the Share Purchase Agreement in respect of the Acquisition, and certain members of the Target's management and Marshalls Group Limited entered into a Management Warranty Deed. Pursuant to the Share Purchase Agreement, Marshalls has agreed to purchase, on the terms and subject to the conditions of the Share Purchase Agreement, the entire issued share capital of the Target.

2.2 Consideration

The Acquisition represents an enterprise value of £535 million for the Marley Group on a debt free, cash free basis. The consideration will be financed through approximately £164 million in Consideration Shares¹¹, with the remainder of the consideration, in cash, to be financed by a combination of the Debt Financing and approximately £187 million from the Firm Placing and Placing and Open Offer. A locked box mechanism is in place from (and excluding) 31 December 2021 to (and excluding) Completion, which is designed to prevent "leakage" of value from the Target.

The Consideration Shares will be credited as fully paid, with the same rights and ranking *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends, distributions or any return of capital declared, paid or made after the date of Completion. Once the New Ordinary Shares have been issued, the Inflexion Funds will hold 8.7 per cent. of the Enlarged Share Capital and the Manager Sellers will hold 0.8 per cent. of the Enlarged Share Capital. The Manager Sellers will roll over 40% of their net proceeds into equity in the Enlarged Share Capital.

The Sellers have entered into the Lock-Up Deeds with the Company, pursuant to which they have agreed not to dispose of the Consideration Shares within a period of 6 months following Completion (in the case of the Inflexion Funds) and within a period 12 months following Completion (in the case of the Manager Sellers).

The Manager Sellers have also agreed that legal title of their Consideration Shares will on Completion be issued to Marshalls EBT Limited to be held on trust for such Manager Sellers for a period of 12 months following Completion. In the event that any Manager Sellers are "bad leavers" in these 12 months, they will forfeit and transfer their beneficial title to the Consideration Shares to Marshalls EBT Limited. To the extent the "bad leaver" trigger is as a result of resignation, this forfeit will apply to all the Consideration Shares held by that Manager Seller. To the extent the "bad leaver" trigger is not as a result of resignation, this forfeit of Consideration Shares will be on a *pro rata* basis and linked to how many incomplete months remain in the above 12 month period at the time that Manager Seller becomes a leaver.

¹¹ Under the Share Purchase Agreement, the non-cash consideration will be the issue by Marshalls Group Limited of consideration loan notes to the Sellers. Pursuant to the Put and Call Option Deed that the parties have committed to enter into on Completion, the Company may call, and the Sellers may put, those consideration loan notes in exchange for Consideration Shares, and so it is expected that the Sellers will be issued with the Consideration Shares shortly following Completion.

2.3 **Conditions to Completion**

The Acquisition constitutes a Class 1 transaction for the Company under the Listing Rules and is, therefore, conditional upon the approval of Shareholders, which will be sought at the General Meeting (see Part XXI (*Notice of General Meeting*)). Completion of the Acquisition is also conditional upon the Sponsor and Placing Agreement becoming unconditional and the Admission of the New Ordinary Shares.

2.4 **Warranties and covenants**

The Share Purchase Agreement contains warranties and covenants that are customary for an English-law governed acquisition of the size and nature of the Acquisition. In connection with the Share Purchase Agreement, certain Sellers also entered into the Management Warranty Deed with Marshalls Group Limited, in which particular members of management have provided warranties and covenants that are customary for such an Acquisition.

Certain of the warranties given under the Share Purchase Agreement and Management Warranty Deed include, among other things:

- (A) their title and ownership of the shares in the Target;
- (B) their capacity to enter into the Share Purchase Agreement;
- (C) financial statements of the Target, undisclosed liabilities and events since the most recent audited financial statements; and
- (D) the underlying business of the Target.

Marshalls has obtained warranty and indemnity insurance in respect of the warranties in the Share Purchase Agreement and Management Warranty Deed, subject to certain specific limitations agreed with the relevant insurer, to provide recourse for Marshalls in the event that certain warranties are breached. The Share Purchase Agreement and Management Warranty Deed also contain other customary limitations and exclusions on liability.

2.5 **Termination rights**

In the event that:

- (A) the conditions to Completion have not been satisfied on or before the date that is six weeks from the date of the Share Purchase Agreement;
- (B) the Board adversely alters, modifies or revokes its recommendation for the Acquisition; or
- (C) either party is in breach of its obligations to effect Completion under the Share Purchase Agreement (subject to certain conditions),

then either party (in the case of (A) above), the Sellers (in the case of (B) above) or the innocent party (in the case of (C) above) may terminate the Share Purchase Agreement.

A break fee of £2,750,000 will be payable by the Company to Marley Group plc in certain “at fault” circumstances where conditions are not satisfied and the Share Purchase Agreement is terminated. To the extent the relevant break fee trigger follows a “*force majeure* event” in connection with the Ukraine crisis, the break fee will be reduced to £1,375,000.

PART XI

TERMS AND CONDITIONS OF THE CAPITAL RAISING

1. INTRODUCTION

As explained in Part VII (*Letter from the Chair of Marshalls plc*), the Company is proposing to raise approximately £184 million (net of expenses) by the issue of up to 28,824,114 New Ordinary Shares at the Offer Price through the Capital Raising. The Capital Raising consists of a Firm Placing of 13,435,487 New Ordinary Shares and a Placing and Open Offer of 15,388,627 New Ordinary Shares. The Firm Placees will not be able to participate in the Open Offer in respect of their Firm Placing Shares. The Open Offer is an opportunity for Qualifying Shareholders to apply for in aggregate 15,388,627 New Ordinary Shares *pro rata* to their current holdings at the Offer Price. Shareholders will not be charged expenses by the Company in respect of the Capital Raising.

The Offer Price of 650 pence per New Ordinary Share represents a discount of 6 per cent. to the Closing Price of 693 pence per Ordinary Share on 6 April 2022 (being the day of the announcement of the Capital Raising). The net asset value per Ordinary Share as at 31 December 2021, being the date of the latest balance sheet, was 1.7. The Firm Placing and the Placing has been fully underwritten by the Joint Bookrunners, subject to the conditions in the Sponsor and Placing Agreement.

Furthermore, pursuant to the Share Purchase Agreement and the Put and Call Option Deed, the Company will issue Consideration Shares to the Sellers. The Company is expected to issue 24,092,457 Consideration Shares at 680 pence per Consideration Share (with the final number of Consideration Shares to be issued at Completion to be determined under the Share Purchase Agreement).

The Equity Issuance is conditional upon the following:

- the Resolution being passed by Shareholders at the General Meeting;
- the Share Purchase Agreement becoming unconditional (other than in respect of the Admission of the New Ordinary Shares);
- the Sponsor and Placing Agreement becoming unconditional; and
- Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 29 April 2022 or such later time and/or date as the Company and the Joint Bookrunners may agree.

The New Ordinary Shares will be in registered form and capable of being held in certificated form or uncertificated form in CREST. The New Ordinary Shares will together represent approximately 20.9 per cent. of the Enlarged Share Capital of the Company immediately following the Capital Raising.

2. TERMS AND CONDITIONS OF THE OPEN OFFER

Subject to the terms and conditions set out below (and, in the case of Qualifying Non-CREST Shareholders, the Application Form), each Qualifying Shareholder is being given an opportunity to apply for the Open Offer Shares at the Offer Price (payable in full and free of all expenses) on the following *pro rata* basis:

1 New Ordinary Share for every 13 Existing Ordinary Shares

held and registered in their name on the Record Time (and so in proportion to the number of Existing Ordinary Shares then held, subject to fractional entitlements).

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their Open Offer Entitlements. Fractions of Open Offer Shares will not be allotted and each Qualifying Shareholder's Open Offer Entitlements will be rounded down to the nearest whole number. Any fractional entitlements to Open Offer Shares will be aggregated and made available to Qualifying Shareholders under the Excess Application Facility. Accordingly, Qualifying Shareholders with fewer than 13 Existing Ordinary Shares will not be entitled to take up any Open Offer Shares. Applications by Qualifying Shareholders will be satisfied in full up to their Open Offer Entitlements.

Provided they choose to take up their Open Offer Entitlements in full, Qualifying Shareholders may also apply for Excess Open Offer Shares, at the Offer Price, through the Excess Application Facility. The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Such applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Open Offer Entitlements in full or in respect of the aggregated fractional entitlements to Open Offer Shares. Fractions of Excess Open Offer Shares will not be issued under the Excess Application Facility. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, at their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders will be met in full or in part or at all.

The Offer Price of 650 pence per New Ordinary Share represents a discount of 6 per cent. to the Closing Price of 693 pence per Ordinary Share on 6 April 2022 (being the day of the announcement of the Capital Raising). The Firm Placing and the Placing have been fully underwritten by the Joint Bookrunners.

Holdings of Ordinary Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating the Open Offer Entitlements and Excess Open Offer Entitlements.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue. As such, Qualifying Non-CREST Shareholders should note that their Application Forms are not negotiable documents and cannot be traded. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, and be enabled for settlement, neither the Open Offer Entitlements nor the Excess Open Offer Entitlements will be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. New Ordinary Shares for which application has not been made under the Open Offer (including the Excess Application Facility) will not be sold in the market for the benefit of those who do not apply under the Open Offer (including the Excess Application Facility) and Qualifying Shareholders who do not apply to take up their entitlements will have no rights nor receive any benefit under the Open Offer. Any New Ordinary Shares which are not applied for under the Open Offer (including the Excess Application Facility) will be allocated to Conditional Placees pursuant to the Placing, with the proceeds retained for the benefit of the Company.

The attention of Qualifying Shareholders and any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this document or an Application Form into a jurisdiction other than the UK is drawn to Part XII (Overseas Shareholders). In particular, Restricted Shareholders will not be sent the Application Form and will not have their CREST stock accounts credited with Open Offer Entitlements or Excess Open Offer Entitlements.

The New Ordinary Shares will be ordinary shares of 25 pence each in the capital of the Company. The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions made, paid or declared in respect of the Ordinary Shares after their issue.

Application will be made to the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence by 8.00 a.m. on 29 April 2022 (whereupon an announcement will be made by the Company to a Regulatory Information Service).

The Equity Issuance is conditional upon the following:

- the Resolution being passed by Shareholders at the General Meeting;
- the Share Purchase Agreement becoming unconditional (other than in respect of the Admission of the New Ordinary Shares);
- the Sponsor and Placing Agreement becoming unconditional; and

- Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 29 April 2022 or such later time and/or date as the Company and the Joint Bookrunners may agree.

In the event that these conditions are not satisfied, the Equity Issuance will not proceed. In such circumstances, application monies will be returned without payment of interest, as soon as practicable thereafter.

After Admission, the Sponsor and Placing Agreement will not be subject to any condition or right of termination (including in respect of statutory withdrawal rights). A summary of the principal terms of the Sponsor and Placing Agreement is set out in section 12.1 of Part XVIII (*Additional Information*) of this document. No temporary documents of title will be issued in respect of the Open Offer Shares held in uncertificated form. Definitive certificates in respect of Open Offer Shares taken up are expected to be posted to the Qualifying Shareholders who have validly elected to hold their Open Offer Shares in certificated form on or around 12 May 2022.

The Existing Ordinary Shares are already CREST-enabled. No further application for admission to CREST is required for the New Ordinary Shares and all of the New Ordinary Shares when issued and fully paid may be held and transferred by means of CREST. Applications will be made for the Open Offer Entitlements and Excess Open Offer Entitlements to be admitted to CREST as participating securities. In respect of those Qualifying Shareholders who have validly elected to hold their Open Offer Shares in uncertificated form, the Open Offer Entitlements and Excess Open Offer Entitlements are expected to be credited to their CREST stock accounts, as soon as possible after 8.00 a.m. on 29 April 2022.

Subject to the conditions above being satisfied and save as provided in this Part XI (*Terms and Conditions of the Capital Raising*), it is expected that:

- (i) the Registrars will instruct Euroclear UK to credit the appropriate stock accounts of Qualifying CREST Shareholders with such Shareholders' Open Offer Entitlements and Excess Open Offer Entitlements, as soon as practicable after 8.00 a.m. on 11 April 2022;
- (ii) New Ordinary Shares in uncertificated form will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders who validly take up their Open Offer Entitlements and/or Excess Open Offer Entitlements as soon as practicable after 8.00 a.m. on 29 April 2022;
- (iii) share certificates for the New Ordinary Shares will be despatched by no later than 12 May 2022 to relevant Qualifying Non-CREST Shareholders who validly take up their Open Offer Entitlements and/or Excess Open Offer Entitlements. Such certificates will be despatched at the risk of such Shareholders; and
- (iv) in the event that the Excess Application Facility is oversubscribed, a refund in an amount equal to the number of Excess Open Offer Shares applied and paid for but not allocated multiplied by the Offer Price will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk. Qualifying CREST Shareholders will receive the refund not later than four Business Days following the date that the results of the Open Offer are announced. Qualifying Non-CREST Shareholders will receive the refund either as a cheque by first class post to the address set out on the Application Form or payment will be returned direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, not later than ten Business Days following the date that the results of the Open Offer are announced.

All Qualifying Shareholders taking up their Open Offer Entitlements and/or Excess Open Offer Entitlements will be deemed to have given the representations and warranties set out in section 4.7 below (in the case of Qualifying Non-CREST Shareholders) and section 5.10 below (in the case of Qualifying CREST Shareholders) unless, in each case, such requirement is waived in writing by the Company. All Qualifying Shareholders taking up their Open Offer Entitlements and/or Excess Open Offer Entitlements under the Open Offer will be deemed to have given the representations and warranties set out in section 2 of Part XII (*Overseas Shareholders*) of this document.

All documents and cheques posted to or by Qualifying Shareholders and/or their transferees or renouncees (or their agents, as appropriate) will be posted at their own risk.

The attention of Overseas Shareholders is drawn to Part XII (Overseas Shareholders) which forms part of the terms and conditions of the Open Offer.

References to dates and times in this document should be read as subject to adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of any revised dates or times.

3. ACTION TO BE TAKEN IN CONNECTION WITH THE OPEN OFFER

If you are in any doubt as to the action you should take, or the contents of this document, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent adviser duly authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

The action to be taken in respect of the Open Offer depends on whether, at the relevant time, a Qualifying Shareholder has received an Application Form in respect of their entitlement under the Open Offer or has had their Open Offer Entitlements and Excess Open Offer Entitlements credited to their CREST stock account.

If you are a Qualifying Non-CREST Shareholder and you are not a Restricted Shareholder, please refer to sections 4, 5.13 and 6 to 11 (inclusive) of this Part XI (*Terms and Conditions of the Capital Raising*).

If you are a Qualifying CREST Shareholder and you are not a Restricted Shareholder, please refer to sections 5 to 11 (inclusive) of this Part XI (*Terms and Conditions of the Capital Raising*) and to the CREST Manual for further information on the CREST procedures referred to above.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to apply under the Open Offer in respect of the Open Offer Entitlements and/ or Excess Open Offer Entitlements of such members held in CREST. CREST members who wish to apply under the Open Offer in respect of their Open Offer Entitlements and/or Excess Open Offer Entitlements in CREST should refer to the CREST Manual for further information on the CREST procedures referred to above.

4. ACTION TO BE TAKEN BY QUALIFYING NON-CREST SHAREHOLDERS IN CONNECTION WITH THE OPEN OFFER

4.1 General

Save as provided in Part XII (Overseas Shareholders), Qualifying Non-CREST Shareholders will have received an Application Form with this document.

The Application Forms set out:

- (i) in Box A, on the Application Form, the number of Existing Ordinary Shares registered in such person's name at the Record Time (on which a Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares is based);
- (ii) in Box B, the maximum number of Open Offer Shares for which such persons are entitled to apply under their Open Offer Entitlements, taking into account they will not be entitled to take up any fraction of a New Ordinary Share arising when their entitlement was calculated, such fractions being aggregated and made available under the Excess Application Facility;
- (iii) in Box C, how much they would need to pay in Pounds Sterling if they wish to take up their Open Offer Entitlements in full;
- (iv) the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of their entitlement or to convert all or part of their entitlement into uncertificated form; and
- (v) instructions regarding acceptance and payment, consolidation and splitting. Qualifying Non-CREST Shareholders may apply for less than their entitlement should they wish to do so. Qualifying Non-CREST Shareholders may also hold an Application Form by virtue of a *bona fide* market claim.

Under the Excess Application Facility, provided they have agreed to take up their Open Offer Entitlements in full, Qualifying Non-CREST Shareholders may apply for Excess Open Offer Shares should they wish to do so. If applications under the Excess Application Facility are received for more than the number of Excess Open Offer Shares available following take up of Open Offer Entitlements, applications will be scaled back at the Company's absolute discretion. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, at their absolute discretion, and no assurance can be given that the number of Excess Open Offer Shares applied for by Qualifying Shareholders under the Excess Application Facility will be met in full or in part or at all.

The instructions and other terms set out in the Application Form constitute part of the terms and conditions of the Open Offer to Qualifying Non-CREST Shareholders.

The latest time and date for acceptance of the Application Forms and payment in full will be 11.00 a.m. on 27 April 2022.

The Open Offer Shares are expected to be issued on 29 April 2022. After such date the Open Offer Shares will be in registered form, freely transferable by written instrument of transfer in the usual common form, or if they have been issued in or converted into uncertificated form, in electronic form under the CREST system. Qualifying Shareholders who do not want to take up or apply for the Open Offer Shares under the Open Offer should take no action and should not complete or return the Application Form.

Qualifying Shareholders are, however, encouraged to vote at the General Meeting by completing and returning the enclosed Form of Proxy (either in hard copy or electronically) or by completing and transmitting a CREST Proxy Instruction.

4.2 ***Bona fide* market claims**

Applications to acquire Open Offer Shares may only be made using the Application Form and may only be made by the Qualifying Non-CREST Shareholder named on it or by a person entitled by virtue of a *bona fide* market claim in relation to a purchase of Ordinary Shares through the market prior to 8.00 a.m. on 7 April 2022 (the time at which the Ordinary Shares were marked 'ex' the entitlement to participate in the Open Offer). Application Forms may not be assigned, transferred or split, except to satisfy *bona fide* market claims prior to 3.00 p.m. on 25 April 2022.

The Application Form is not a negotiable document and cannot be separately traded. A Qualifying Non-CREST Shareholder who has sold or otherwise transferred all or part of their holding of Ordinary Shares prior to the Ex-Entitlements Time, being 8.00 a.m. on 7 April 2022, should consult their broker or other professional adviser as soon as possible, as the invitation to acquire Open Offer Shares under the Open Offer may be a benefit which may be claimed by the transferee.

Qualifying Non-CREST Shareholders who have sold all of their registered holdings prior to 8.00 a.m. on 7 April 2022 should, if the market claim is to be settled outside CREST, complete Box J on the Application Form and immediately send it to the broker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee, or directly to the purchaser or transferee, if known. The Application Form should not, however, be forwarded to or transmitted in or into any Restricted Jurisdiction, including the United States (subject to certain exceptions). If the market claim is to be settled outside CREST, the beneficiary of the claim should follow the procedures set out in the accompanying Application Form. If the market claim is to be settled in CREST, the beneficiary of the claim should follow the procedures set out in section 5.2 below.

Qualifying Non-CREST Shareholders who have sold or otherwise transferred part only of their Existing Ordinary Shares shown on Box A of their Application Form prior to 8.00 a.m. on 7 April 2022 should, if the market claim is to be settled outside CREST, complete Box J of the Application Form and immediately deliver the Application Form, together with a letter stating the number of Application Forms required (being one for the Qualifying Non-CREST Shareholder in question and one for each of the purchasers or transferees), the total number of Existing Ordinary Shares to be included in each Application Form (the aggregate of which must equal the number shown in Box A of the Application Form) and the total number of Open Offer Entitlements to be included

in each Application Form (the aggregate of which must equal the number shown in Box B), to the broker, bank or other agent through whom the sale or transfer was effected or return it by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH so as to be received by no later than 3:00 p.m. on 25 April 2022. The Receiving Agent will then create new Application Forms, mark the Application Forms 'Declaration of sale or transfer duly made' and send them by post to the person submitting the original Application Form. The Application Form should not, however, be forwarded to or transmitted in or into any Restricted Jurisdiction, including the United States (subject to certain exceptions).

4.3 Application procedures

Qualifying Non-CREST Shareholders who wish to apply to subscribe for all or any of the Open Offer Shares in respect of their Open Offer Entitlements must return the Application Form in accordance with the instructions thereon. Qualifying Non-CREST Shareholders may only apply for Excess Open Offer Shares under the Excess Application Facility if they have agreed to take up their Open Offer Entitlements in full. Completed Application Forms should be posted in the accompanying pre-paid envelope (in the UK only) to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH so as to be received by no later than 11.00 a.m. on 27 April 2022, after which time, subject to the limited exceptions set out below, Application Forms will not be valid. Qualifying Non-CREST Shareholders should note that applications, once made, will, subject to the very limited withdrawal rights set out in this document, be irrevocable and receipt thereof will not be acknowledged. If an Application Form is being sent by first class post in the UK, Qualifying Shareholders are recommended to allow at least four Business Days for delivery.

Completed Application Forms should be returned together with payment in accordance with section 4.4 below.

4.4 Payment

All payments must be made by cheque or banker's draft in Pounds Sterling payable to 'CIS PLC Re: Marshalls plc Open Offer' and crossed 'A/C payee only'. Cheques must be for the full amount payable on acceptance, and sent with the completed Application Form by post to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 27 April 2022. A pre-paid envelope for use within the UK only will be sent with the Application Form.

Third party cheques may not be accepted except building society cheques or banker's drafts where the building society or bank has inserted the name of the account holder and has either added the building society or bank branch stamp or has provided a supporting letter confirming the source of funds. The name of the account holder should be the same as that shown on the Application Form. Cheques or banker's drafts must be drawn on an account at a bank or building society or a branch of a bank or building society which must be in the UK, the Channel Islands or the Isle of Man and which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided by either of those companies. Cheques and banker's drafts must bear the appropriate sorting code number in the top right-hand corner. Post-dated cheques will not be accepted. Payments via CHAPS, BACS or electronic transfer will not be accepted.

The Company reserves the right to have cheques and banker's drafts presented for payment on receipt. No interest will be allowed on payments made before they are due and any interest on such payments will be paid to the Company. It is a term of the Open Offer that cheques must be honoured on first presentation and the Company may elect to treat as invalid any acceptances in respect of which cheques are not honoured. Return of the Application Form with a cheque will constitute a warranty that the cheque will be honoured on first presentation.

If cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled, the application monies will be kept in an interest-bearing account retained for the Company until all conditions are met. If the Open Offer does not become unconditional, no Open Offer Shares will be issued and all monies will be returned (at the applicant's sole risk) to

applicants, without payment of interest, either as a cheque by first class post to the address set out on the Application Form or returned direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn, in each case, as soon as practicable following the lapse of the Open Offer. The interest earned on such monies, if any, will be retained for the benefit of the Company.

If Open Offer Shares are allotted to a Qualifying Shareholder and a cheque for that allotment is subsequently not honoured, the Company may (at its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of such Qualifying Shareholder and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Shareholder pursuant to the provisions of this Part XI in respect of the acquisition of such shares) on behalf of such Qualifying Shareholder. Neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any Qualifying Shareholder as a result.

All enquires in connection with the Application Forms should be addressed to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH. Alternatively, enquiries in connection with the Application Forms can be made to Computershare Investor Services PLC on 0370 707 1134 (overseas callers should use +44 (0)370 707 1134). Lines are open 8.30 a.m. to 5.30 p.m. (GMT), Monday to Friday, excluding English and Welsh public holidays.

4.5 Discretion as to the validity of acceptances

If payment is not received in full by 11.00 a.m. on 27 April 2022, the offer to subscribe for Open Offer Shares will be deemed to have been declined and will lapse. However, the Company may, but shall not be obliged to, treat as valid:

- (A) Application Forms and accompanying remittances that are received through the post not later than 5.00 p.m. on 27 April 2022 (the cover bearing a legible postmark not later than 11.00 a.m. on 27 April 2022); and
- (B) acceptances in respect of which a remittance is received prior to 11.00 a.m. on 27 April 2022 from an authorised person (as defined in section 31(2) of FSMA) specifying the number of Open Offer Shares to be acquired and undertaking to lodge the relevant Application Form, duly completed, by 5.00 p.m. on 27 April 2022 and such Application Form is lodged by that time.

The Company may also (at its absolute discretion) treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

The Company reserves the right to treat as invalid any application or purported application for the Open Offer Shares pursuant to the Open Offer that appears to the Company to have been executed in, despatched from, or that provides an address for delivery of definitive share certificates for Open Offer Shares in, a Restricted Jurisdiction, including the United States.

4.6 Excess Application Facility

Qualifying Shareholders are also being given the opportunity to apply for Excess Open Offer Shares at the Offer Price through the Excess Application Facility. The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Such applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Open Offer Entitlements in full or in respect of the aggregated fractional entitlements to Open Offer Shares. Fractions of Excess Open Offer Shares will not be issued under the Excess Application Facility. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, at their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders for Excess Open Offer Shares will be met in full or in part or at all.

Qualifying Non-CREST Shareholders who wish to apply for Excess Open Offer Shares in excess of their Open Offer Entitlements must complete the Application Form in accordance with the instructions set out on the Application Form. Qualifying Non-CREST Shareholders may only apply for Excess Open Offer Shares under the Excess Application Facility if they have agreed to take up their Open Offer Entitlements in full.

In the event that the Excess Application Facility is oversubscribed, each Qualifying Shareholder who has made a valid application for Excess Open Offer Shares under the Excess Application Facility and from whom payment in full for Excess Open Offer Shares has been received will receive a refund in an amount equal to the number of Excess Open Offer Shares applied and paid for but not allocated multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable after such allocation, without payment of interest and at the applicant's sole risk. Qualifying Non-CREST Shareholders will receive the refund either as a cheque by first class post to the address set out on the Application Form or payment will be returned direct to the account of the bank or building society on which the relevant cheque or banker's draft was drawn not later than ten Business Days following the date that the results of the Open Offer are announced.

4.7 **Effect of application**

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form the applicant:

- (i) represents and warrants to each of the Company, the Joint Bookrunners and Rothschild & Co that they have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise their rights, and perform their obligations, under any contracts resulting therefrom and that they are not person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares and/ or Excess Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with each of the Company, the Joint Bookrunners and Rothschild & Co that all applications under the Open Offer and contracts resulting therefrom, and any non-contractual obligations relating thereto, shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iii) confirms to each of the Company, the Joint Bookrunners and Rothschild & Co that in making the application they are not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document including any documentation incorporated by reference, they will be deemed to have had notice of all the information contained in this document (including information incorporated by reference);
- (iv) confirms to each of the Company, the Joint Bookrunners and Rothschild & Co that in making the application they are not relying and have not relied on the Joint Bookrunners and Rothschild & Co or any other person affiliated with the Joint Bookrunners or Rothschild & Co in connection with any investigation of the accuracy of any information contained in this document or their investment decision;
- (v) represents and warrants to each of the Company, the Joint Bookrunners and Rothschild & Co that if they have received some or all of their Open Offer Entitlements and/ or Excess Open Offer Entitlements from a person other than the Company, they are entitled to apply under the Open Offer in relation to such Open Offer Entitlements and/or Excess Open Offer Entitlements by virtue of a *bona fide* market claim;
- (vi) represents and warrants to each of the Company, the Joint Bookrunners and Rothschild & Co that they are the Qualifying Shareholder(s) originally entitled to the Open Offer Entitlements and/or Excess Open Offer Entitlements or that they have received such Open

Offer Entitlements and/ or Excess Open Offer Entitlements by virtue of a *bona fide* market claim;

- (vii) represents and warrants to each of the Company, the Joint Bookrunners and Rothschild & Co that they are not, nor are they applying on behalf of any person who is: (a) located, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, in or of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law, and (b) they are not applying with a view to re-offering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of their application to, or for the benefit of, a person who is located, a citizen or resident, or which is a corporation, partnership or other entity created or organised in or under any laws, in or of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (viii) represents and warrants to each of the Company, the Joint Bookrunners, Rothschild & Co and the Receiving Agent that they are either: (a) not in the United States, nor are they applying for the account of any person who is located in the United States; and they are not applying for the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly of any Open Offer Shares into the United States or (b) are applying pursuant to an express agreement with the Company, after having satisfied the Company that a relevant exemption from the registration requirements of the US Securities Act applies to it;
- (ix) represents and warrants to each of the Company, the Joint Bookrunners and Rothschild & Co that they are not, and nor are they applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- (x) requests that the Open Offer Shares to which they will become entitled be issued.

4.8 Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, Computershare Investor Services PLC may require, at its absolute discretion, verification of the identity of the beneficial owner by whom or on whose behalf the Application Form is lodged with payment (which requirements are referred to below as the 'verification of identity requirements'). If an application is made by a UK-regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Computershare Investor Services PLC. In such case, the lodging agent's stamp should be inserted on the Application Form.

The person lodging the Application Form with payment (in this subsection, the "**applicant**"), including any person who appears to Computershare Investor Services PLC to be acting on behalf of some other person, shall thereby be deemed to agree to provide Computershare Investor Services PLC with such information and other evidence as Computershare Investor Services PLC may require to satisfy the verification of identity requirements. Submission of an Application Form shall constitute a warranty that the Money Laundering.

Regulations will not be breached by the acceptance of remittance and an undertaking by the applicant to provide promptly to Computershare Investor Services PLC such information as may be specified by Computershare Investor Services PLC as being required for the purpose of the Money Laundering Regulations.

If Computershare Investor Services PLC determines that the verification of identity requirements apply to any applicant or application, the relevant Open Offer Shares (notwithstanding any other term of the Open Offer) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. Computershare Investor Services PLC is entitled, at its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such

requirements have been satisfied, and neither Computershare Investor Services PLC nor the Company will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, Computershare Investor Services PLC has not received evidence satisfactory to it as aforesaid, the Company may, at its absolute discretion, treat the relevant application as invalid, in which event the application monies will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or banker's draft was drawn.

The verification of identity requirements will not usually apply if:

- (i) the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- (ii) the applicant is an organisation required to comply with the EU Money Laundering Directive (No. 2015/849/EC);
- (iii) the applicant is a company whose securities are listed on a regulated market subject to specified disclosure obligations;
- (iv) the applicant (not being an applicant who delivers their application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the Money Laundering Regulations or with a credit institution situated in a non-EEA State which imposes requirements equivalent to those laid down in that directive; or
- (v) the aggregate subscription price for the relevant New Ordinary Shares is less than €15,000 (or its Pounds Sterling equivalent).

Submission of the Application Form with the appropriate remittance will constitute a warranty to each of the Company, the Joint Bookrunners and Rothschild & Co from the applicant that the Money Laundering Regulations will not be breached by application of such remittance.

Where the verification of identity requirements apply, please note the following as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by cheque or banker's draft drawn on a branch of a bank or building society in the UK and bears a UK bank sort code number in the top right hand corner, the following applies. Cheques, which are recommended to be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to 'CIS PLC Re: Marshalls plc Open Offer' and crossed 'A/C payee only'. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted the full name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as that shown on the Application Form; or
- (ii) if the Application Form is lodged with payment by an agent which is an organisation of the kind referred to in sub-paragraph (ii) above or which is subject to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, China, the Gulf Co-operation Council, Hong Kong, Iceland, India Israel, Korea, Japan, Malaysia, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the US), the agent should provide written confirmation that it has that status with the Application Form(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Computershare Investor Services PLC and/or any relevant regulatory or investigatory authority.

To confirm the acceptability of any written assurance referred to in paragraph (ii) above, or in any other case, the applicant should contact Computershare Investor Services PLC

on 0370 707 1134 (overseas callers should use +44 (0)370 707 1134). Lines are open 8.30 a.m. to 5.30 p.m. (GMT), Monday to Friday, excluding English and Welsh public holidays.

4.9 Issue of Open Offer Shares in certificated form

Definitive share certificates in respect of the Open Offer Shares to be held in certificated form are expected to be despatched by post on or around 12 May 2022, at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders or their agents or, in the case of joint holdings, to the first-named Shareholder, in each case at their registered address (unless lodging agent details have been completed on the Application Form).

5. ACTION TO BE TAKEN BY QUALIFYING CREST SHAREHOLDERS IN CONNECTION WITH THE OPEN OFFER

5.1 General

Save as provided in Part XII (Overseas Shareholders), each Qualifying CREST Shareholder is expected to receive a credit to their CREST stock account of their Open Offer Entitlements equal to the maximum number of Open Offer Shares for which they are entitled to apply to acquire under the Open Offer together with a credit of Excess Open Offer Entitlements equal to the maximum number of Ordinary Shares available through the Open Offer.

Qualifying CREST Shareholders subject to a market claim should note that Excess CREST Open Offer Entitlements will not transfer as part of the market claim and if they wish to apply for such Excess Open Offer Entitlements then they should contact Computershare on 0370 707 1134 (overseas callers should use +44 (0)370 707 1134). Lines are open 8.30 a.m. to 5.30 p.m. (GMT), Monday to Friday, excluding English and Welsh public holidays. Calls to the Shareholder Helpline from outside of the United Kingdom will be charged at the applicable international rate. Qualifying CREST Shareholders, when requesting, an increased credit, should ensure that they leave sufficient time for the additional Excess Open Offer Entitlements to be credited to their account and for an application to be made in respect of those entitlements before the application date.

Any fractional entitlements to Open Offer Shares will be disregarded in calculating Qualifying Shareholders' entitlements and will be aggregated and made available under the Excess Application Facility.

The CREST stock account to be credited will be an account under the participant ID and member account ID that apply to the Ordinary Shares held at the Record Time by the Qualifying CREST Shareholder in respect of which the Open Offer Entitlements and Excess Open Offer Entitlements have been allocated.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders by 29 April 2022 or such later time as the Company shall decide, Application Forms shall, unless the Company and Joint Bookrunners agree otherwise, be sent out in substitution for the Open Offer Entitlements and Excess Open Offer Entitlements which have not been so credited and the expected timetable as set out in this document may be adjusted as appropriate.

References to dates and times in this document should be read as subject to any such adjustment. The Company will make an appropriate announcement to a Regulatory Information Service giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

Qualifying CREST Shareholders who wish to take up all or part of their Open Offer Entitlements and Excess Open Offer Entitlements should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST sponsor if you wish to take up your entitlement, as only your CREST sponsor will be able to take the necessary action to take up your entitlements in respect of Open Offer Shares. If you have any queries on the procedure for acceptances and payment, you should contact Computershare Investor Services PLC on 0370 707 1134 (overseas callers should use +44 (0)370 707 1134). Lines are open 8.30 a.m. to 5.30 p.m. (GMT), Monday to Friday, excluding English and Welsh public holidays.

In accordance with the instructions in this Part XI (*Terms and Conditions of the Capital Raising*) the CREST instruction must have been settled by 11.00 a.m. on 27 April 2022.

5.2 ***Bona fide* market claims**

The Open Offer Entitlements and Excess Open Offer Entitlements will constitute a separate security for the purposes of CREST and will have a separate ISIN. Although Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of Open Offer Entitlements and Excess Open Offer Entitlements may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim transaction.

Should a transaction be identified by the CREST Claims Processing Unit as "cum" the Open Offer Entitlements will generate an appropriate market claim and the relevant Open Offer Entitlements will thereafter be transferred accordingly. The Excess Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim. Please note that an additional USE Instruction must be sent in respect of any application under the Excess Open Offer Entitlements.

A Qualifying CREST Shareholder who has made a valid application for Excess Open Offer Shares under the Excess Application Facility which is not met in full, and from whom payment in full for Excess Open Offer Shares has been received, will receive an amount equal to the number of Excess Open Offer Shares applied and paid for, but not allocated to, the relevant Qualifying CREST Shareholder, multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant's sole risk.

5.3 **USE Instructions**

Qualifying CREST Shareholders who are CREST members and who wish to apply for Open Offer Shares in respect of all or some of their Open Offer Entitlements in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) a USE Instruction to CREST which, on its settlement, will have the following effect:

- (i) the crediting of a stock account of the Receiving Agent under the participant ID and member account ID specified below, with a number of Open Offer Entitlements corresponding to the number of Open Offer Shares applied for; and
- (ii) the creation of a CREST payment, in accordance with the CREST payment arrangements in favour of the payment bank of the Receiving Agent in respect of the amount specified in the USE Instruction which must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above.

5.4 **Content of USE Instructions in respect of Open Offer Entitlements**

The USE Instruction must be properly authenticated in accordance with Euroclear UK's specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlements being delivered to the Receiving Agent);
- (ii) the ISIN of the Open Offer Entitlements. This is GB00BP958626;
- (iii) the CREST participant ID of the CREST member;
- (iv) the CREST member account ID of the CREST member from which the Open Offer Entitlements are to be debited;
- (v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 3RA39;
- (vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is MARSHOFF;

- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11:00 a.m. on 27 April 2022;
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;
- (x) a contact name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11:00 a.m. on 27 April 2022. CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 27 April 2022 in order to be valid is 11:00 a.m. on that day.

If the conditions to the Equity Issuance are not fulfilled on or before 8.00 a.m. on 29 April 2022, or such other time and/or date as may be agreed between the Company, the Joint Bookrunners and Rothschild & Co, the Open Offer will lapse, the Open Offer Entitlements and Excess Open Offer Entitlements admitted to CREST will be disabled and the Receiving Agent will refund the amount paid by a Qualifying CREST Shareholder by way of a CREST payment, without interest as soon as practicable thereafter.

The interest earned on such monies, if any, will be retained for the benefit of the Company.

5.5 CREST procedures and timing

Qualifying CREST Shareholders who are CREST members and CREST sponsors (on behalf of CREST sponsored members) should note that Euroclear UK does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in relation to the input of a USE Instruction and its settlement in connection with the Open Offer. It is the responsibility of the Qualifying CREST Shareholder concerned to take (or, if the Qualifying CREST Shareholder is a CREST sponsored member, to procure that their CREST sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11:00 a.m. on 27 April 2022. Qualifying CREST Shareholders and (where applicable) CREST sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

5.6 Validity of application

A USE Instruction complying with the requirements as to authentication and contents set out above which settles by not later than 11:00 a.m. on 27 April 2022 will constitute a valid application under the Open Offer.

5.7 Incorrect or incomplete applications

If a USE Instruction includes a CREST payment for an incorrect sum, the Company, through the Receiving Agent, reserves the right:

- (i) to reject the application in full and refund the payment to the CREST member in question (without interest);
- (ii) in the case that an insufficient sum is paid, to treat the application as a valid application for such lesser whole number of Open Offer Shares as would be able to be applied for with that payment at the Offer Price, refunding any unutilised sum to the CREST member in question (without interest); or
- (iii) in the case that an excess sum is paid, to treat the application as a valid application for all the Open Offer Shares referred to in the USE Instruction, refunding any unutilised sum to the CREST member in question (without interest).

5.8 Excess Application Facility

Qualifying CREST Shareholders are also being given the opportunity to apply for Excess Open Offer Shares at the Offer Price through the Excess Application Facility. The total number of Open Offer Shares is fixed and will not be increased in response to any applications under the Excess Application Facility. Such applications will therefore only be satisfied to the extent that other Qualifying Shareholders do not apply for their Open Offer Entitlements in full or in respect of the aggregated fractional entitlements to Open Offer Shares. Fractions of Excess Open Offer Shares will not be issued under the Excess Application Facility. Applications under the Excess Application Facility shall be allocated in such manner as the Directors may determine, at their absolute discretion, and no assurance can be given that the applications by Qualifying Shareholders for Excess Open Offer Shares will be met in full or in part or at all.

The CREST accounts of Qualifying CREST Shareholders will be credited with Excess Open Offer Entitlements to enable applications for Excess Open Offer Shares to be settled through CREST. Qualifying CREST Shareholders should note that, although the Open Offer Entitlements and Excess Open Offer Entitlements will be admitted to CREST, they will have limited settlement capabilities. Neither the Open Offer Entitlements nor the Excess Open Offer Entitlements will be tradeable or listed and applications in respect of the Open Offer may only be made by the Qualifying Shareholders originally entitled or by a person entitled by virtue of a *bona fide* market claim.

Should a transaction be identified by the CREST Claims Processing Unit as “cum” the Open Offer Entitlements will generate an appropriate market claim and the relevant Open Offer Entitlements will thereafter be transferred accordingly. The Excess Open Offer Entitlements will not transfer with the Open Offer Entitlement(s) claim. Please note that an additional USE Instruction must be sent in respect of any application under the Excess Open Offer Entitlements. Excess Open Offer Entitlements will not be subject to Euroclear UK’s market claims process. Qualifying CREST Shareholders claiming Excess Open Offer Entitlements by virtue of a *bona fide* market claim are advised to contact the Receiving Agent to request a credit of the appropriate number of entitlements to their CREST account. Please note that an additional USE instruction must be sent in respect of any application under the Excess Entitlement.

In the event that the Excess Application Facility is oversubscribed, each Qualifying Shareholder who has made a valid application for Excess Open Offer Shares under the Excess Application Facility and from whom payment in full for Excess Open Offer Shares has been received will receive a refund in an amount equal to the number of Excess Open Offer Shares applied and paid for but not allocated multiplied by the Offer Price. Monies will be returned as soon as reasonably practicable thereafter, without payment of interest and at the applicant’s sole risk. Qualifying CREST Shareholders will receive the refund not later than four Business Days following the date that the results of the Open Offer are announced.

5.9 Content USE Instruction in respect of Excess Open Offer Entitlements

The USE Instruction must be properly authenticated in accordance with Euroclear UK’s specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- (i) the number of Open Offer Shares for which application is being made (and hence the number of the Open Offer Entitlements being delivered to the Receiving Agent);
- (ii) the ISIN of the Excess Open Offer Entitlements. This is GB00BP958733;
- (iii) the CREST participant ID of the CREST member;
- (iv) the CREST member account ID of the CREST member from which the Excess Open Offer Entitlements are to be debited;
- (v) the participant ID of the Receiving Agent in its capacity as a CREST receiving agent. This is 3RA39;
- (vi) the member account ID of the Receiving Agent in its capacity as a CREST receiving agent. This is MARSHOFF;

- (vii) the amount payable by means of a CREST payment on settlement of the USE Instruction. This must be the full amount payable on application for the number of Open Offer Shares referred to in (i) above;
- (viii) the intended settlement date. This must be on or before 11:00 a.m. on 27 April 2022;
- (ix) the Corporate Action Number for the Open Offer. This will be available by viewing the relevant corporate action details in CREST;
- (x) a contact name and telephone number (in the free format shared note field); and
- (xi) a priority of at least 80.

In order for an application under the Open Offer to be valid, the USE Instruction must comply with the requirements as to authentication and contents set out above and must settle on or before 11:00 a.m. on 27 April 2022. CREST members and, in the case of CREST sponsored members, their CREST sponsors, should note that the last time at which a USE Instruction may settle on 27 April 2022 in order to be valid is 11:00 a.m. on that day.

5.10 Effects of application

A CREST member who makes or is treated as making a valid application in accordance with the above procedures thereby:

- (i) represents and warrants to each of the Company, the Joint Bookrunners and Rothschild & Co that they have the right, power and authority, and have taken all action necessary, to make the application under the Open Offer and to execute, deliver and exercise their rights, and perform their obligations, under any contracts resulting therefrom and that they are not person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares and/or Excess Open Offer Shares or acting on behalf of any such person on a non-discretionary basis;
- (ii) agrees with each of the Company, the Joint Bookrunners and Rothschild & Co to pay the amount payable on application in accordance with the above procedures by means of a CREST payment in accordance with the CREST payment arrangements (it being acknowledged that the payment to the Receiving Agent's payment bank in accordance with the CREST payment arrangements shall, to the extent of the payment, discharge in full the obligation of the CREST member to pay the amount payable on application);
- (iii) agrees with each of the Company, the Joint Bookrunners and Rothschild & Co that all applications under the Open Offer and contracts resulting therefrom, and any noncontractual obligations relating thereto, shall be governed by, and construed in accordance with, the laws of England and Wales;
- (iv) confirms to each of the Company, the Joint Bookrunners and Rothschild & Co that in making the application they are not relying on any information or representation other than that contained in this document, and the applicant accordingly agrees that no person responsible solely or jointly for this document or any part thereof, or involved in the preparation thereof, shall have any liability for any information or representation not so contained and further agrees that, having had the opportunity to read this document, including any documentation incorporated by reference, they will be deemed to have had notice of all the information contained in this document (including information incorporated by reference);
- (v) confirms to each of the Company, the Joint Bookrunners and Rothschild & Co that in making the application they are not relying and have not relied on the Joint Bookrunners or Rothschild & Co or any other person affiliated with the Joint Bookrunners or Rothschild & Co in connection with any investigation of the accuracy of any information contained in this document or their investment decision;
- (vi) represents and warrants to each of the Company, the Joint Bookrunners and Rothschild & Co that if they have received some or all of their Open Offer Entitlements and/or Excess Open Offer Entitlements from a person other than the Company, they are entitled to apply

under the Open Offer in relation to such Open Offer Entitlements and/or Excess Open Offer Entitlements by virtue of a *bona fide* market claim;

- (vii) represents and warrants to each of the Company, the Joint Bookrunners and Rothschild & Co that they are the Qualifying Shareholder(s) originally entitled to the Open Offer Entitlements and/or Excess Open Offer Entitlements or that they have received such Open Offer Entitlements and/or Excess Open Offer Entitlements by virtue of a *bona fide* market claim;
- (viii) represents and warrants to each of the Company, the Joint Bookrunners and Rothschild & Co that they are not, nor are they applying on behalf of any person who is: (a) located, a citizen or resident, or a corporation, partnership or other entity created or organised in or under any laws, in or of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law; and (b) applying with a view to reoffering, reselling, transferring or delivering any of the Open Offer Shares which are the subject of their application to, or for the benefit of, a person who is located, a citizen or resident or which is a corporation, partnership or other entity created or organised in or under any laws, in or of any Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law, nor acting on behalf of any such person on a non-discretionary basis nor a person(s) otherwise prevented by legal or regulatory restrictions from applying for Open Offer Shares under the Open Offer;
- (ix) represents and warrants to each of the Company, the Joint Bookrunners, Rothschild & Co and the Receiving Agent that they are either: (a) not in the United States, nor are they applying for the account of any person who is located in the United States; and they are not applying for the Open Offer Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly of any New Ordinary Shares into the United States or (b) are applying pursuant to an express agreement with the Company, after having satisfied the Company that a relevant exemption from the registration requirements of the US Securities Act applies to it;
- (x) represents and warrants to each of the Company, the Joint Bookrunners and Rothschild & Co that they are not, and nor are they applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 93 (depository receipts) or section 96 (clearance services) of the Finance Act 1986; and
- (xi) requests that the Open Offer Shares to which they will become entitled be issued to them on the terms set out in this document, subject to the Articles of Association.

5.11 Discretion as to rejection and validity of acceptances

The Company may:

- (i) reject any acceptance constituted by a USE Instruction, which is otherwise valid, in the event of a breach of any of the representations, warranties and undertakings set out or referred to in section 5.10 of this Part XI (*Terms and Conditions of the Capital Raising*). Where an acceptance is made as described in this section 5.11 which is otherwise valid, and the USE Instruction concerned fails to settle by 11:00 a.m. on 27 April 2022 (or by such later time and date as the Company and the Joint Bookrunners may determine), the Company shall be entitled to assume, for the purposes of their right to reject an acceptance as described in this section 5.11, that there has been a breach of the representations, warranties and undertakings set out or referred to in section 5.10 above unless the Company is aware of any reason outside the control of the Qualifying CREST Shareholder or CREST sponsor (as appropriate) concerned for the failure of the USE Instruction to settle;
- (ii) treat as valid (and binding on the Qualifying CREST Shareholder concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this section 5.11;

- (iii) accept an alternative properly authenticated dematerialised instruction from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor as constituting a valid acceptance in substitution for, or in addition to, a USE Instruction and subject to such further terms and conditions as the Company may determine;
- (iv) treat a properly authenticated dematerialised instruction (in this sub-section, the “**first instruction**”) as not constituting a valid acceptance if, at the time at which Computershare Investor Services PLC receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Computershare Investor Services PLC has received actual notice from Euroclear UK of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- (v) accept an alternative instruction or notification from a Qualifying CREST Shareholder or (where applicable) a CREST sponsor, or extend the time for acceptance and/or settlement of a USE Instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any Qualifying CREST Shareholder or (where applicable) CREST sponsor, a Qualifying CREST Shareholder is unable validly to take up all or part of their Open Offer Entitlements and/or Excess Open Offer Entitlements by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Computershare Investor Services PLC in connection with CREST.

5.12 Money Laundering Regulations

If you hold your Existing Ordinary Shares in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a bank, a broker or another UK financial institution), then, irrespective of the value of the application, Computershare Investor Services PLC is required to take reasonable measures to establish the identity of the person or persons on whose behalf you are making the application. Such Qualifying CREST Shareholders must therefore contact Computershare Investor Services PLC before sending any USE Instruction or other instruction so that appropriate measures may be taken.

Submission of a USE Instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to the Company, the Joint Bookrunners and Rothschild & Co to provide promptly to Computershare Investor Services PLC any information Computershare Investor Services PLC may specify as being required for the purposes of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Computershare Investor Services PLC as to identity, Computershare Investor Services PLC, having consulted with the Company, may take, or omit to take, such action as it may determine to prevent or delay settlement of the USE Instruction. If satisfactory evidence of identity has not been provided within a reasonable time, Computershare Investor Services PLC will not permit the USE Instruction concerned to proceed to settlement (without prejudice to the right of the Company to take proceedings to recover any loss suffered by it as a result of failure by the applicant to provide satisfactory evidence).

5.13 Deposit of Open Offer Entitlements into, and withdrawal from, CREST

A Qualifying Non-CREST Shareholder’s entitlement under the Open Offer as shown by the number of Open Offer Entitlements set out in their Application Form may be deposited into CREST (either into the account of the Qualifying Shareholder named in the Application Form or into the name of a person entitled by virtue of a *bona fide* market claim). Similarly, Open Offer Entitlements held in CREST may be withdrawn from CREST so that the entitlement under the Open Offer is reflected in an Application Form. Normal CREST procedures (including timings) apply in relation to any such deposit or withdrawal, (in the case of a deposit into CREST) as set out in the Application Form.

A Qualifying Non-CREST Shareholder who wishes to make such a deposit should sign and complete Box O of their Application Form, entitled 'CREST Deposit Form' and then deposit their Application Form with the CREST Courier and Sorting Service. In addition, the normal CREST stock deposit procedures will need to be carried out, except that (a) it will not be necessary to complete and lodge a separate CREST transfer form (as prescribed under the Stock Transfer Act 1963) with the CREST Courier and Sorting Service and (b) only the Open Offer Entitlements shown in Box B of the Application Form may be deposited into CREST. If you have received your Application Form by virtue of a *bona fide* market claim, the declaration below Box I must be made or (in the case of an Application Form which has been split) marked 'Declaration of sale or transfer duly made'. If you wish to take up your Open Offer Entitlements, the CREST Deposit Form in Box O of your Application Form must be completed and deposited with the CREST Courier and Sorting Service in accordance with the instructions above. A holder of more than one Application Form who wishes to deposit Open Offer Entitlements shown on those Application Forms into CREST must complete Box O of each Application Form.

In particular, having regard to normal processing times in CREST and on the part of Computershare Investor Services PLC, the recommended latest time for depositing an Application Form with the CREST Courier and Sorting Service, where the person entitled wishes to hold the Open Offer Entitlements and Excess Open Offer Entitlements set out in such Application Form as Open Offer Entitlements and Excess Open Offer Entitlements in CREST, is 3:00 p.m. on 22 April 2022. CREST holders inputting the withdrawal of their Open Offer Entitlements from their CREST account must ensure that they withdraw both their Open Offer Entitlements and Excess Open Offer Entitlements.

Delivery of an Application Form with the CREST deposit form duly completed, whether in respect of a deposit into the account of the Qualifying Shareholder named in the Application Form or into the name of another person, shall constitute a representation and warranty to the Company and Computershare Investor Services PLC by the relevant CREST member(s) that they are not in breach of the provisions of the notes under the section headed Application Letter on page 3 of the Application Form, and a declaration to the Company and the Receiving Agent from the relevant CREST member(s) that they are not located in the United States (except as provided for in section 5.10(xi) above) and not located in, or citizen(s) or resident(s) of, any other Restricted Jurisdiction or any jurisdiction in which the application for Open Offer Shares is prevented by law, and, where such deposit is made by a beneficiary or a market claim, a representation and warranty that the relevant CREST member(s) is/are entitled to apply under the Open Offer by virtue of a *bona fide* market claim.

5.14 Right to allot and issue New Ordinary Shares in certificated form

Despite any other provision of this document, the Company reserves the right to allot and to issue any New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities and/or systems operated by Computershare Investor Services PLC in connection with CREST.

6. OFF-SET

A Conditional Placee that takes up and pays for Open Offer Shares to which it is entitled in accordance with the terms of the Open Offer, may request, by returning an off-set application form (which may be requested from the Joint Bookrunners), that its participation in the Placing be reduced by up to the number of Open Offer Shares that it has validly taken up and paid for under the Open Offer (to a maximum of the number of New Ordinary Shares in its Placing participation) ("Off-set"). If the off-set application form is not returned by the closing time for the Open Offer, the Conditional Placee will be deemed to have waived its right to claim Off-set in respect of any New Ordinary Shares taken up under the Open Offer.

7. WITHDRAWAL RIGHTS

Qualifying Shareholders wishing to exercise the withdrawal rights under Article 23(2) of the Prospectus Regulation after the issue by the Company of a prospectus supplementing this document (if any) must do so by lodging a written notice of withdrawal, which shall not include a notice sent by facsimile or any

other form of electronic communication, with Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH. The notice of withdrawal must include the full name and address of the person wishing to exercise such statutory withdrawal rights and, if such person is a Qualifying CREST Shareholder, the participant ID and the member account ID of such Qualifying CREST Shareholder. The notice of withdrawal must not be received later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received by Computershare Investor Services PLC after expiry of such period will not constitute a valid withdrawal.

Furthermore, based on advice received, it is the Company's view that Qualifying Shareholders who have validly taken up their entitlements in accordance with the procedure laid down for acceptance and payment in this Part XI (*Terms and Conditions of the Capital Raising*) shall not be entitled to withdraw any such acceptance. In such circumstances, any such accepting Qualifying Shareholder or renouncee, wishing to withdraw is advised to seek independent legal advice.

8. TIMES AND DATES

The Company shall at its discretion be entitled to amend the dates that Application Forms are despatched or dealings in New Ordinary Shares commence and amend or extend the latest date for acceptance under the Open Offer and all related dates set out in this document. In such circumstances the Company will make an appropriate announcement to a Regulatory Information Service and, if appropriate, will notify Shareholders.

9. SHARE PLANS

In accordance with the rules of the MIP, BSP and SAYE (as applicable), outstanding options and awards, and any applicable exercise price and/or performance conditions, may be adjusted to take account of the Open Offer. This is subject to the prior approval (where required) of the relevant tax authorities. Participants in the MIP, BSP and SAYE will be advised separately of any such adjustments.

Participants in the SIP and the MIP will be advised separately with regard to the impact of the Open Offer on the Ordinary Shares held for them under the SIP or MIP (as applicable) and as to any entitlement to participate in the Open Offer.

10. TAXATION

Information on taxation with regard to the Equity Issuance for Shareholders who are resident in the UK for UK tax purposes is set out in Part XVII (*United Kingdom Taxation*) of this document. The information contained in Part XVII (*United Kingdom Taxation*) is intended only as a general guide to the current tax position in the UK and Shareholders resident in the UK for UK tax purposes should consult their own tax advisers regarding the tax treatment of the Equity Issuance in light of their own circumstances. Shareholders who are in any doubt as to their tax position or who are or may be subject to tax in any other jurisdiction should consult an appropriate professional adviser immediately.

11. GOVERNING LAW AND JURISDICTION

The terms and conditions of the Capital Raising as set out in this document and the Application Form shall be governed by, and construed in accordance with, the laws of England and Wales (including, without limitation, any non-contractual obligations arising out of or in connection with the Capital Raising and, where appropriate, the Application Form).

The courts of England and Wales are to have exclusive jurisdiction to settle any dispute, whether contractual or non-contractual, which may arise out of or in connection with the Capital Raising, this document and the Application Form. By accepting entitlements under the Open Offer in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form, Qualifying Shareholders irrevocably submit to the exclusive jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART XII

OVERSEAS SHAREHOLDERS

1. OVERSEAS SHAREHOLDERS

This document has been approved by the FCA, being the competent authority in the UK. It is expected that Shareholders in each EEA State will be able to participate in the Open Offer.

It is the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the UK wishing to participate in the Open Offer to satisfy themselves as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this Part XII (*Overseas Shareholders*) are intended as a general guide only and any Overseas Shareholder who is in doubt as to their position should consult their professional adviser without delay.

1.1 General

The distribution of this document and the Application Form and the making of the Open Offer to persons resident in, or who are citizens of, or who have a registered address in countries other than the UK may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to participate in the Open Offer and Excess Open Offer Entitlements.

This section sets out the restrictions applicable to Shareholders who have registered addresses outside the UK, who are physically located outside the UK, or who are citizens or residents of countries other than the UK, or who are persons (including, without limitation, custodians, nominees and trustees) who have a contractual or legal obligation to forward this document to a jurisdiction outside the UK, or who hold Ordinary Shares for the account or benefit of any such person.

New Ordinary Shares will be provisionally allotted to all Shareholders holding Ordinary Shares at the Record Time, including Restricted Shareholders. However, Application Forms have not been, and will not be, sent to, and New Ordinary Shares will not be credited to CREST accounts of, Restricted Shareholders, or to their agent or intermediary, except where the Company and the Joint Bookrunners are satisfied that such action would not result in a contravention of any registration or other legal requirement in any such jurisdiction.

Having considered the circumstances, the Directors have formed the view that it is necessary and/or expedient to restrict the ability of the Shareholders in the United States and the other Restricted Jurisdictions to participate in the Open Offer due to the time and costs involved in the registration of the document and/or compliance with the relevant local legal or regulatory requirements in those jurisdictions.

Receipt of this document and/or an Application Form or the crediting of Open Offer Entitlements and/or Excess Open Offer Entitlements to a stock account in CREST will not constitute an offer in or into any Restricted Jurisdiction, including the United States, and, in those circumstances, this document and/or an Application Form must be treated as sent for information only and should not be copied or redistributed. No person receiving a copy of this document and/or an Application Form and/or receiving a credit of Open Offer Entitlements and/or Excess Open Offer Entitlements to a stock account in CREST in any territory other than the UK may treat the same as constituting an invitation or offer to them, nor should they in any event use the Application Form or deal with Open Offer Entitlements and/or Excess Open Offer Entitlements in CREST unless, in the relevant jurisdiction (other than any Restricted Jurisdictions), such an invitation or offer could lawfully be made to them and the Application Form or Open Offer Entitlements and/or Excess Open Offer Entitlements in CREST could lawfully be used or dealt with without contravention of any unfulfilled registration or other legal or regulatory requirements.

Accordingly, persons receiving a copy of this document and/or an Application Form or whose stock account in CREST is credited with Open Offer Entitlements and/or Excess Open Offer Entitlements should not, in connection with the Capital Raising, distribute or send the same in or into, or transfer Open Offer Entitlements and/or Excess Open Offer Entitlements to any person in or into any Restricted Jurisdiction, including the United States. If an Application Form or credit of Open Offer Entitlements and/or Excess Open Offer Entitlements in CREST is received by any person in any Restricted Jurisdiction, including the United States, or by their agent or nominee in any such territory, they must not seek to take up the entitlements referred to in the Application Form or in this document or renounce the Application Form or transfer the Open Offer Entitlements and/or Excess Open Offer Entitlements in CREST, unless the Company determines (in consultation with the Joint Bookrunners) that such actions would not violate applicable legal or regulatory requirements. Any person who does forward this document or an Application Form into any Restricted Jurisdiction (whether under contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

The Company may treat as invalid any acceptance or purported acceptance of the offer of the Open Offer Entitlements and/or Excess Open Offer Entitlements which appears to the Company or its agents to have been executed, effected or despatched in a manner which may involve a breach of the laws or regulations of any jurisdiction or if it believes or they believe that the same may violate applicable legal or regulatory requirements or if, in the case of an Application Form, it provides an address for delivery of the definitive share certificates for New Ordinary Shares, or, in the case of a credit of New Ordinary Shares in CREST, the Shareholder's registered address is in a Restricted Jurisdiction, including the United States, or if the Company believes or its agents believe that the same may violate applicable legal or regulatory requirements. The attention of Shareholders with registered addresses in the United States or holding Ordinary Shares on behalf of persons with such addresses is drawn to section 1.2 of this Part XII (*Overseas Shareholders*). The attention of Qualifying Shareholders with registered addresses in other territories outside of the UK or holding Ordinary Shares on behalf of persons with such addresses is drawn to section 1.4 of this Part XII (*Overseas Shareholders*).

Despite any other provisions of this document or the Application Form, the Company reserves the right to permit any Overseas Shareholder to take up their entitlements if the Company (in consultation with the Joint Bookrunners) at its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restriction in question. If the Company is so satisfied, the Company will arrange for the relevant Overseas Shareholder to be sent an Application Form if they are reasonably believed to be a Qualifying Non-CREST Shareholder or, if they are reasonably believed to be a Qualifying CREST Shareholder, arrange for the Open Offer Entitlements and/or Excess Open Offer Entitlements to be credited to the relevant CREST stock account.

Those Overseas Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in sections 4.4 and 5.4 of Part XI (*Terms and Conditions of the Capital Raising*).

The provisions of this Part XII (*Overseas Shareholders*) will apply generally to Restricted Shareholders and other Overseas Shareholders who do not or are unable to take up New Ordinary Shares provisionally allotted to them.

Specific restrictions relating to certain jurisdictions are set out below.

1.2 Offer restrictions relating to the United States

The New Ordinary Shares have not been, and will not be, registered under the US Securities Act or any relevant securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Subject to certain exceptions, this document and the Application Form are intended for use only in connection with offers and sales of New Ordinary Shares outside the United States and are not to be sent or given to any person with a registered address, or who is resident or located in, the United States. Subject to certain exceptions, no offering is being made in the United States and neither this document nor the Application Form constitutes or will constitute an offer or an invitation to apply for, or an offer or an invitation to acquire or subscribe for, any New Ordinary Shares in the United States. Subject to certain exceptions, (i) the Application Forms will not be sent to, and the Open Offer Entitlements and/or Excess Open Offer Entitlements will not be credited to, a stock account in CREST of any Shareholder with a registered address in the United States and (ii) Application Forms should not be postmarked in the United States or otherwise despatched from the United States.

Neither the New Ordinary Shares, the Form of Proxy, the Application Form, this document nor any other document connected with the Capital Raising have been or will be approved or disapproved by the SEC or by the securities commissions of any state or other jurisdiction of the United States or any other regulatory authority, nor have any of the foregoing authorities or any securities commission passed upon or endorsed the merits of the offering of the New Ordinary Shares, the Form of Proxy, the Application Form, or the accuracy or adequacy of this document or any other document connected with this Capital Raising. Any representation to the contrary is a criminal offence in the United States.

Any person who subscribes for New Ordinary Shares will be deemed to have declared, represented, warranted and agreed to, by accepting delivery of this document or the Application Form or by applying for New Ordinary Shares in respect of Open Offer Entitlements and/or Excess Open Offer Entitlements credited to a stock account in CREST, and delivery of the New Ordinary Shares, the representations and warranties set out in section 2 of this Part XII (Overseas Shareholders).

The Company reserves the right, at its absolute discretion, to treat as invalid any Application Form: (i) that appears to the Company or its agents to have been executed in or despatched from the United States; or (ii) where the Company believes acceptance of such Application Form may infringe applicable legal or regulatory requirements, and the Company shall not be bound to issue any New Ordinary Shares in respect of any such Application Form. In addition, the Company reserves the right, at its absolute discretion, to reject any USE Instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the New Ordinary Shares.

Until 40 days after the commencement of the Open Offer, an offer, sale or transfer of the New Ordinary Shares within the United States by a dealer (whether or not participating in the Open Offer) may violate the registration requirements of the US Securities Act.

No representation has been, or will be, made by the Company, the Joint Bookrunners or Rothschild & Co as to the availability of any exemption under the US Securities Act or any state securities laws for the reoffer, pledge or transfer of the New Ordinary Shares.

For so long as they remain "restricted securities" for purposes of Rule 144 under the US Securities Act, the New Ordinary Shares may not be deposited, or caused to be deposited, in any unrestricted depositary receipt facility in the United States.

1.3 **Restrictions on Regulation S offering**

Each purchaser to whom the New Ordinary Shares are distributed, offered or sold outside the United States will (on behalf of themselves and on behalf of each investment account for which they are acting as fiduciary or agent) be deemed by their subscription for, or purchase of, New Ordinary Shares to have represented, warranted and agreed as follows:

- (i) they are acquiring the New Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;
- (ii) they are aware and acknowledge that the New Ordinary Shares have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the

United States absent registration or an exemption from, or in a transaction not subject to, registration under the US Securities Act;

- (iii) if in the future they decide to offer, sell, transfer, assign or otherwise dispose of the New Ordinary Shares, they will do so only in compliance with the registration requirements of the US Securities Act;
- (iv) they are acquiring the New Ordinary Shares for their own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the New Ordinary Shares in any manner that would violate the US Securities Act or any other applicable securities laws;
- (v) they have received, carefully read and understand this document, and have not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the New Ordinary Shares to any persons in the United States, nor will they do any of the foregoing;
- (vi) they are aware and acknowledge that the representations, undertakings and warranties contained in this document are irrevocable and, if they are acquiring any New Ordinary Shares as a fiduciary or agent for one or more accounts, they confirm that they have sole investment discretion with respect to each such account and they have full power to make, and do make, such foregoing representations, warranties and agreements on behalf of each such account. They acknowledge that the Company, the Joint Bookrunners, Rothschild & Co and their respective directors, officers, agents, employees, advisors and others will rely upon the truth and accuracy of the foregoing representations and agreements; and
- (vii) if any of the representations or warranties made, or deemed to have been made, by its subscription or purchase of the New Ordinary Shares are no longer accurate or have not been complied with, they will immediately notify the Company and the Joint Bookrunners.

1.4 Other overseas territories

Application Forms will be posted to Qualifying Non-CREST Shareholders (other than those Qualifying Non-CREST Shareholders who have registered addresses in the Restricted Jurisdictions) and Open Offer Entitlements and/or Excess Open Offer Entitlements will be credited to the CREST stock accounts of Qualifying CREST Shareholders (other than those Qualifying CREST Shareholders who have registered addresses in the Restricted Jurisdictions). No offer of or invitation to subscribe for New Ordinary Shares is being made by virtue of this document or the Application Form into the Restricted Jurisdictions. Overseas Shareholders in jurisdictions other than the Restricted Jurisdictions may, subject to the laws of their relevant jurisdiction, accept their entitlements under the Capital Raising in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form.

Shareholders who have registered addresses in or who are resident in, or who are citizens of, countries other than the UK should consult their appropriate professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Open Offer Entitlements and/or Excess Open Offer Entitlements. If you are in any doubt as to your eligibility to accept the offer of New Ordinary Shares, you should contact your appropriate professional adviser immediately.

EEA States (other than the UK)

In relation to EEA States (except for the UK) (each a “relevant member state” in this section), no New Ordinary Shares have been offered or will be offered to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Regulation, except that offers of New Ordinary Shares may be made to the public in that relevant member state at any time:

- to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation); or
- in any other circumstances falling within Articles 1(3), 1(4) or 3(2) of the Prospectus Regulation,

provided that no such offer of New Ordinary Shares shall require the Company or the Joint Bookrunners to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For this purpose, the expression “an offer of any New Ordinary Shares to the public” in relation to any New Ordinary Shares in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and any New Ordinary Shares to be offered so as to enable an investor to decide to acquire any New Ordinary Shares.

2. REPRESENTATIONS AND WARRANTIES RELATING TO OVERSEAS TERRITORIES

2.1 Qualifying Non-CREST Shareholders

Any person accepting an Application Form or requesting registration of the New Ordinary Shares comprised therein represents and warrants to the Company, unless applying pursuant to an express agreement with the Company, after having satisfied the Company that a relevant exemption from the registration requirements of the US Securities Act applies to it, that: (i) such person is not accepting an Application Form from within the United States or any other Restricted Jurisdiction; (ii) such person is not in any territory in which it is unlawful to make or accept an offer to subscribe for New Ordinary Shares or to use the Application Form in any manner in which such person has used or will use it; (iii) such person is not acting on a non-discretionary basis for a person located within the Restricted Jurisdictions or any territory referred to in (ii) above at the time the instruction to accept or renounce was given, and in particular such person is not accepting for the account or benefit of any person who is located in the United States unless (a) the instruction to accept was received from a person outside the United States and (b) the person giving such instruction has confirmed that it has the authority to give such instruction, and either (x) has investment discretion over such account or (y) is an investment manager or investment company that is acquiring the New Ordinary Shares in an “offshore transaction” within the meaning of Regulation S under the US Securities Act; and (iv) such person is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any other Restricted Jurisdiction or any territory referred to in (ii) above.

The Company may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, an Application Form if it: (a) appears to the Company to have been executed in or despatched from the United States or any other Restricted Jurisdiction or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if the Company believes the same may violate any applicable legal or regulatory requirement; (b) provides an address in any Restricted Jurisdiction, including the United States, for delivery of definitive share certificates for New Ordinary Shares (or any jurisdiction outside the UK in which it would be unlawful to deliver such certificates); or (c) purports to exclude the representations and warranties required by this section.

2.2 Qualifying CREST Shareholders

A Qualifying CREST Shareholder who makes a valid acceptance in accordance with the procedure set out in section 5 of Part XI (*Terms and Conditions of the Capital Raising*) represents and warrants to the Company, unless applying pursuant to an express agreement with the Company, after having satisfied the Company that a relevant exemption from the registration requirements of the US Securities Act applies to it, that: (i) they are not within any of the Restricted Jurisdictions, including the United States; (ii) they are not in any territory in which it is unlawful to make or accept an offer to acquire or subscribe for New Ordinary Shares; (iii) they are not acting on a non-discretionary basis for a person located within the Restricted Jurisdictions or any territory referred to in (ii) above at the time the instruction to accept was given, and in

particular such person is not accepting for the account or benefit of any person who is located in the United States unless (a) the instruction to accept was received from a person outside the United States and (b) the person giving such instruction has confirmed that it has the authority to give such instruction, and either (x) has investment discretion over such account or (y) is an investment manager or investment company that is acquiring the New Ordinary Shares in an “offshore transaction” within the meaning of Regulation S under the US Securities Act; and (iv) they are not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any other Restricted Jurisdiction or any territory referred to in (ii) above.

The Company may treat as invalid any USE Instruction which: (a) appears to the Company to have been despatched from the United States or any other Restricted Jurisdiction or otherwise in a manner which may involve a breach of the laws of any jurisdiction or which they or their agents believe may violate any applicable legal or regulatory requirement; or (b) purports to exclude the representations and warranties required by this section.

2.3 **Waiver**

The provisions of sections 1 and 2 of this Part XII (*Overseas Shareholders*) and of any other terms of the Capital Raising relating to Restricted Shareholders may be waived, varied or modified as regards specific Shareholder(s) or on a general basis by the Company at its absolute discretion.

Subject to this, the provisions of sections 1 and 2 of this Part XII (*Overseas Shareholders*) supersede any terms of the Capital Raising inconsistent herewith. References in sections 1 and 2 of this Part XII (*Overseas Shareholders*) to Qualifying Shareholders shall include references to the person or persons executing an Application Form and, in the event of more than one person executing an Application Form, the provisions of this section 2 of this Part XII (*Overseas Shareholders*) shall apply jointly to each of them.

PART XIII

HISTORICAL FINANCIAL INFORMATION OF MARSHALLS PLC

The audited consolidated financial statements for the Group as at and for the financial year ended 31 December 2021, prepared in accordance with IFRS as adopted in the UK, together with the audit reports and notes in respect of such financial year, contained in the Marshalls 2021 Annual Report and Accounts are incorporated by reference into this Part XIII (*Historical Financial Information of Marshalls plc*) as described in Part XIX (*Documents incorporated by Reference*) of this document.

The audited consolidated financial statements for the Group as at and for the financial year ended 31 December 2020, prepared in accordance with IFRS as adopted in the UK, together with the audit reports and notes in respect of such financial year, contained in the Marshalls 2020 Annual Report and Accounts are incorporated by reference into this Part XIII (*Historical Financial Information of Marshalls plc*) as described in Part XIX (*Documents incorporated by Reference*) of this document.

The consolidated financial statements contained in the Marshalls 2021 Annual Report and Accounts and the Marshalls 2020 Annual Report and Accounts were audited by Deloitte LLP and the audit report for such financial years were unqualified. Deloitte LLP is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales and has no material interest in the Company or the Group.

PART XIV

HISTORICAL FINANCIAL INFORMATION OF THE TARGET

The audited historical financial information of: (1) Marley Limited for the financial years ended 31 December 2019, 2020 and 2021; and (2) Marley Group Plc for the 73-week period to 31 December 2020 and for the financial year ended 31 December 2021, in addition to the accountant's reports thereon, are set out in this Part XIV (*Historical Financial Information of the Target*).

This financial information has been prepared in accordance with IFRS as adopted in the UK. The significant IFRS accounting policies applied in the financial information of Marley Group Plc and Marley Limited are applied consistently in the financial information in this document.

1. Financial information of Marley Limited as of and for the years ended 31 December 2019, 2020 and 2021

Section A: Accountant's Report in respect of the Historical Financial Information



Grant Thornton

The Directors

Marshalls plc

Landscape House, Premier Way

Lowfields Business Park

Elland

West Yorkshire

HX5 9HT

7 April 2022

Dear Sir/Madam

Grant Thornton UK LLP

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Marley Limited – Accountant's Report on the Marley Limited Historical Financial Information

We report on Marley Limited's historical financial information set out in Section 1B of Part XIV of the Prospectus for the three years ended 31 December 2021 (the **Marley Limited Historical Financial Information**).

Opinion

In our opinion, the Marley Limited Historical Financial Information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of Marley Limited as at 31 December 2019, 31 December 2020 and 31 December 2021 and of its profits, cash flows, changes in equity and statement of comprehensive income for each of the three years ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the UK.

Responsibilities

The directors of Marshalls plc are responsible for preparing the Marley Limited Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the UK and in a form that is consistent with the accounting policies adopted in Marshalls plc's latest annual financial statements as at the date of the Prospectus.

It is our responsibility to form an opinion on the Marley Limited Historical Financial Information and to report our opinion to you.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report

in the Prospectus, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Item 1.3 of Annex 3 of the United Kingdom version of Regulation number 2019/980 of the European Commission, which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018 (the **PR Regulation**) and Listing Rule 13.4.1R(6), consenting to the inclusion in the Prospectus.

Basis of preparation

The Marley Limited Historical Financial Information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 3 to the Marley Limited Historical Financial Information.

This report is required by Listing Rule 13.5.21 and is given for the purpose of complying with that regulation and for no other purpose.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the UK. We are independent of Marshalls plc and Marley Limited in accordance with relevant ethical requirements, which in the UK is the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Marley Limited Historical Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Marley Limited Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Marley Limited Historical Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Marley Limited's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause Marley Limited to cease to continue as a going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Marley Limited's ability to continue as a going concern for a period of at least twelve months from the date of the Prospectus for which the Marley Limited Historical Financial Information and this report were prepared.

In forming our opinion on the Marley Limited Historical Financial Information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Marley Limited Historical Financial Information is appropriate.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that this report makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Item 1.2 of Annex 3 of the PR Regulation.

Yours faithfully

GRANT THORNTON UK LLP

Section B: Historical Financial Information

Marley Limited Statement of Profit or Loss

	Note	For the year ended 31 December		
		2019	2020	2021
		£000s	£000s	£000s
Revenue	6	143,548	120,745	159,000
Cost of sales		(74,550)	(64,167)	(77,202)
Gross profit		<u>68,998</u>	<u>56,578</u>	<u>81,798</u>
Distribution costs		(11,925)	(9,993)	(10,780)
Administrative expenses		(35,419)	(29,302)	(29,988)
Other operating income	8	389	3,444	1,530
Operating profit	9	<u>22,043</u>	<u>20,727</u>	<u>42,560</u>
Finance income	11	45	1,251	1,241
Finance cost	12	(235)	(67)	(49)
Profit before tax		<u>21,853</u>	<u>21,911</u>	<u>43,752</u>
Tax expense	13	(4,629)	(539)	(7,905)
Profit for the period		<u>17,224</u>	<u>21,372</u>	<u>35,847</u>

Marley Limited Statement of Financial Position

	Note	1 January 2019 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2021 £000s
Non-current assets					
Goodwill	14	—	22,823	22,823	22,823
Property, plant and equipment	16	—	41,010	39,392	36,901
Investment	15	—	—	—	11,229
Right-of-use assets	17	—	1,577	1,253	890
Total non-current assets		<u>—</u>	<u>65,410</u>	<u>63,468</u>	<u>71,843</u>
Current assets					
Assets held for sale	16	—	—	—	3,737
Inventories	18	—	22,682	15,779	20,466
Trade and other receivables	20	—	20,319	46,068	27,251
Cash and bank balances	28	—	27,309	21,844	20,723
Total current assets		<u>—</u>	<u>70,310</u>	<u>83,691</u>	<u>72,177</u>
Total assets		<u>—</u>	<u>135,720</u>	<u>147,159</u>	<u>144,020</u>
Current liabilities					
Trade and other payables	23	—	(35,570)	(27,842)	(30,501)
Current tax liabilities		—	(2,554)	(1,049)	(815)
Lease liabilities	22	—	(377)	(277)	(307)
Derivative financial instrument	19	—	—	—	(297)
Total current liabilities		<u>—</u>	<u>(38,501)</u>	<u>(29,168)</u>	<u>(31,920)</u>
Non-current liabilities					
Deferred tax liabilities	21	—	(1,546)	(1,146)	(2,797)
Lease liabilities	22	—	(1,217)	(1,017)	(630)
Contingent consideration	31	—	—	—	(2,083)
Total non-current liabilities		<u>—</u>	<u>(2,763)</u>	<u>(2,163)</u>	<u>(5,510)</u>
Total liabilities		<u>—</u>	<u>(41,264)</u>	<u>(31,331)</u>	<u>(37,430)</u>
Net assets		<u>—</u>	<u>94,456</u>	<u>115,828</u>	<u>106,590</u>
Equity					
Share capital*	24	—	—	—	—
Share premium account	26	—	58,766	58,766	58,766
Share based payment reserve	27	—	—	—	1,653
Other reserves	35	—	18,823	18,823	18,823
Retained earnings		—	16,867	38,239	27,348
Total equity		<u>—</u>	<u>94,456</u>	<u>115,828</u>	<u>106,590</u>

* The share capital of the company is £200 (two hundred pounds) as at each of the above statement of financial position dates and £100 at 1 January 2019.

Marley Limited Statement of changes in equity

	Share capital* £000s	Share premium account £000s	Other equity reserves £000s	Share based payment reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 1 January 2019	—	—	—	—	—	—
Profit for the year	—	—	—	—	17,224	17,224
Adjustments on Conversion to IFRS	—	—	—	—	(357)	(357)
Total comprehensive income for the year	—	—	—	—	16,867	16,867
Transactions with owners in their capacity as owners						
Share issue	—	58,766	18,823	—	—	77,589
Total transactions with owners in their capacity as owners	—	58,766	18,823	—	—	77,589
Balance at 31 December 2019	—	58,766	18,823	—	16,867	94,456
	Share capital* £000s	Share premium account £000s	Other equity reserves £000s	Share based payment reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 1 January 2020	—	58,766	18,823	—	16,867	94,456
Profit for the year	—	—	—	—	21,372	21,372
Other comprehensive income for the year	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	21,372	21,372
Balance at 31 December 2020	—	58,766	18,823	—	38,239	115,828

* The share capital of the company is £200 (two hundred pounds) as at each of the above statement of financial position dates and £100 at 1 January 2019.

	Share capital* £000s	Share premium account £000s	Other equity reserves £000s	Share based payment reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 1 January 2021	—	58,766	18,823	—	38,239	115,828
Profit for the period	—	—	—	—	35,847	35,847
Total comprehensive income for the year	—	—	—	—	35,847	35,847
Dividends: Equity capital	—	—	—	—	(46,738)	(46,738)
Equity settled share based payment	—	—	—	1,653	—	1,653
Balance at 31 December 2021	—	58,766	18,823	1,653	27,348	106,590

* The share capital of the company is £200 (two hundred pounds) as at each of the above statement of financial position dates and £100 at 1 January 2019.

Marley Limited Statement of cash flows

	Note	For the year ended 31 December		
		2019 £000s	2020 £000s	2021 £000s
Profit for the period		17,224	21,372	35,847
Adjustments for:				
Finance income	11	(45)	(1,251)	(1,241)
Finance costs	12	235	67	49
Income tax expense	13	4,629	539	7,905
Fair value movement on derivatives	19	–	–	297
Depreciation of property, plant and equipment	9	4,065	4,154	4,062
Depreciation of right of use asset	9	246	414	315
Gain on disposal of property, plant and equipment	9	(331)	(3)	(1,238)
Share based payment expense	27	–	–	1,653
Increase in contingent consideration	–	–	–	1,368
Impairment of inventory	18	1,750	326	572
Operating cash flows before movements in working capital				
Decrease/(increase) in inventories		27,773	25,618	49,589
Decrease/(increase) in trade and other receivables		(2,526)	6,577	(5,259)
Increase/(decrease) in trade and other payables		(17,245)	(1,175)	(6,401)
Cash generated by operations		19,997	(576)	2,588
Income taxes paid		(2,004)	(2,444)	(6,489)
Net cash from operating activities		25,995	28,000	34,028

	Note	For the year ended 31 December		
		2019 £000s	2020 £000s	2021 £000s
Investing activities				
Interest received	11	45	–	–
Purchases of property, plant and equipment	16	(3,095)	(2,730)	(5,333)
Investment in subsidiary	15	–	–	(10,514)
Amounts paid to parent undertakings	20	(2,668)	(23,131)	(18,274)
Amounts loaned to subsidiary		–	–	(2,000)
Proceeds from disposal of property, plant and equipment		344	197	1,263
Net cash generated used in investing activities		<u>(5,374)</u>	<u>(25,664)</u>	<u>(34,858)</u>
Financing activities				
Interest paid		(96)	(583)	(49)
Lease payments		(176)	(258)	(242)
Proceeds/(repayments) of loans from parent company		6,960	(6,960)	–
Net cash (used in)/from financing activities		<u>6,688</u>	<u>(7,801)</u>	<u>(291)</u>
Net increase/(decrease) in cash and cash equivalents		27,309	(5,465)	(1,121)
Cash and cash equivalents at beginning of period		<u>–</u>	<u>27,309</u>	<u>21,844</u>
Cash and cash equivalents at end of year		<u>27,309</u>	<u>21,844</u>	<u>20,723</u>

Notes to Historical Financial Information

1. General information

Marley Limited is a company incorporated in the UK under the Companies Act 2006 in England and Wales. The address of the registered office is Lichfield Road, Branston, Burton-On-Trent, England, DE14 3HD.

The principal activity of Marley Limited is a manufacturer of concrete, clay and timber building products and accessories including integrated solar panels through its new subsidiary company in the period ended 31 December 2021.

Marley Limited was incorporated on 15 August 2018 and was dormant until 1 January 2019 when it acquired the trade and selected assets and liabilities of the clay, concrete fittings and roofing components business of Etex (Exteriors) UK Limited. The Historical Financial Information for the first period of account, to 31 December 2019, has been presented as the 12-month period of trading.

2. Basis of preparation of the historical financial information

Statement of compliance

This Historical Financial Information has been prepared for the inclusion in the circular of Marshalls plc on the basis of the accounting policies set out in note 3 which are consistent with those used by Marshalls plc in its annual financial statements for the year ended 31 December 2020. This historical financial information is required by the Listing Rules and is given for the purpose of complying with them and for no other purpose.

The Historical Financial Information does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006.

Marley Limited's Historical Financial Information has been prepared in accordance with International Financial Reporting Standards and International Accounting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. Marley Limited has applied all accounting standards and interpretations issued by the IASB and International Financial Reporting Committee relevant to its operations which are effective for the Marshalls plc latest filed annual financial statements for the year ended 31 December 2020.

This separate historical financial information contains information about Marley Limited as an individual company and does not contain consolidated financial information as the parent of a group in the period ended 31 December 2021. The company has taken advantage of the exemption under IFRS 10, 'Consolidated financial statements', from the requirement to prepare consolidated financial information as it and its subsidiaries are included by full consolidation in the consolidated historical financial information of its ultimate parent, Marley Group Plc, its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets) and it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. Marley Limited's immediate parent is Monty Bidco Limited.

Marley Group Plc's principal place of business is Lichfield Road, Branston, Burton-On-Trent, England, DE14 3HD and the consolidated financial information is available from that address.

The historical financial information is presented in Sterling, which is the functional currency of the parent, and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

3. Significant accounting policies

Basis of accounting

The principal accounting policies adopted are set out below.

Going concern

The Marley Directors have prepared detailed profit and cash forecasts for the period to 31 December 2023 and have prepared sensitivities to their forecasts. The Marley Directors have not identified any material uncertainties which impact their financial assessment.

Based on this assessment the Marley Directors considered that it was appropriate to adopt the going concern basis in the preparation of this historical financial information.

Goodwill

On 1 January 2019, Marley Limited acquired certain trade and Assets (the “**Marley Business**”) from Etex (Exteriors) Limited (“**Etex**”). As Marley Limited and Etex were under common control at the point of this transfer, the acquisition of the Marley Business has been accounted for using predecessor accounting, and accordingly the assets and liabilities acquired have been transferred at their previous carrying value.

IFRS 3 – Business combinations, excludes transfers under common control and in the absence of explicit guidance under IFRS the Marley Directors have used their judgement to develop and apply an accounting policy that is both relevant and reliable. The Marley Directors have used the hierarchy in IAS 8 – Accounting policies, accounting estimates and errors and applied the guidance contained in FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland for common control transactions.

The Marley Directors consider accounting for such transactions under predecessor accounting to be the most appropriate accounting policy.

Accordingly, no adjustments are made to reflect fair values, or to recognise any new assets or liabilities in these financial statements.

Goodwill is therefore initially recognised and measured at the net book value transferred under the common control transaction noted above. No fair value adjustments have been made and no new goodwill arises under predecessor accounting.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of Marley Limited’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

On disposal of a cash-generating unit the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Investments in Marley Group undertakings

Shares in Marley Group undertakings are recognised at cost less impairment.

Property, plant, and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, cost of improving the asset, dismantling and restoration costs.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost (other than freehold land and assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	10 to 40 years
Plant and machinery	3 to 20 years
Assets under construction	Not depreciated

Additions to plant and machinery are depreciated from the date the asset becomes available for intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets under construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with Marley Limited's accounting policy. Depreciation of these assets, determined on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that Marley Limited expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The leased assets are depreciated using a straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of property, plant and equipment, and intangible assets

At each reporting date, Marley Limited reviews the carrying amounts of its property, plant and equipment, intangible assets and investments in Marley Group undertakings to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, Marley Limited estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life and intangible assets in the course of construction are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss

been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

Leases

Marley Limited assesses whether a contract is or contains a lease, at inception of the contract. Marley Limited recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (defined as £5,000). For short-term leases, Marley Limited recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Where a right of use asset is recognised, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, Marley Limited uses its asset specific risk adjusted incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented as a separate line in the statement of financial position.

Marley Limited applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of property, plant and equipment and intangible assets' policy.

Revenue recognition

Marley Limited recognises revenue when it transfers control of a product or service to a customer and in line with the five step revenue recognition model of IFRS 15. Revenue is measured based on the consideration to which Marley Limited expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. Marley Limited does not provide extended terms on its services and therefore no significant financing components are identified by Marley Limited.

Contracts with customers contain a limited assurance warranty that is accounted for under IAS 37 (see provisions accounting policy). If a repair or replacement is not possible under the assurance warranty, a full refund of the product price may be given. The potential refund liability represents variable consideration.

Variable consideration i.e., rebates are assessed based on the terms of individual contracts and based on the tiered structure dependent upon individual customer's purchases during the rebate period. The amount of variability is immaterial at year end as majority of customer rebate agreements align with the calendar year.

At the end of each reporting period, Marley's management update the estimated transaction price to represent the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

For sale of services (including projects not completed within the period), Marley Limited accounts for revenue over time, with the measure of progress based on costs incurred to date, on the basis that the services are developing/improving an asset controlled by the customer. The input method is considered to be the most appropriate measure as there is a direct relationship between the group's costs and the transfer of service to the customer. For the sale of goods manufactured, revenue is recognised at a point of time when Company has present right for payment for the asset and has transferred control of the asset in accordance with the sales order.

Marley Limited recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these within trade and other payables in the statement of financial position. Similarly, if Marley Limited satisfies a performance obligation before it receives the consideration, Marley Limited recognises either a contract asset or a receivable, within trade and other receivables in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers ("CODMs"), who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board, excluding non-executive directors. The financial information reviewed by the Board is materially the same as that reported under IFRS.

The Marley Directors consider Marley Limited's operating segments to be Roofing and Marley Contract Services ("MCS"). Roofing being the manufacture and distribution of concrete, clay and timber building products and accessories and MCS being the roof fitting service in Scotland.

Government grants

Government grants are recognised in the Statement of Profit or Loss on a systematic basis over the periods in which the related costs towards which they are intended to compensate are recognised as expenses.

Government grants are not recognised until there is reasonable assurance that Marley Limited will comply with the conditions attaching to the grant and that the grant will be received. During the year ended 31 December 2020, government grants were received in respect of the Coronavirus Job retention Scheme. In general cash was received from HMRC in the month following the submission of the claim. No uncertainties were noted in relation to the Coronavirus Job Retention Scheme.

Grant income is recognised in other operating income.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

Marley Limited provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

- (i) Short term benefits;
Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the financial period in which the service is received.
- (ii) Defined contribution pension plans;
Marley Limited operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which Marley Limited pays fixed contributions into a separate entity. Once the contributions have been paid Marley Limited has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of Financial Position. The assets of the plan are held separately from Marley Limited in independently administered funds.

Share based payments for employee services

During the year ended 31 December 2021, shares were issued to select employees at their tax market value. As this was below fair market value as defined in IFRS 2, and the shares had service conditions attached, a share-based payment charge has been calculated based on the difference between tax market value and fair market value. This charge has been spread over the expected vesting period (to exit); the charge is not remeasured at each reporting date as this is an equity settled share-based payment arrangement.

7,500 of the shares issued were held in an employee benefit trust in 2020. This trust has not been consolidated in this Historical Financial Information as it is not material to the group.

Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on profit for the year. The taxable profit differs from net profit as reported in the profit or loss because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Marley Limited's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Marley's management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. Where it is probable the position will be accepted, amounts are based on tax filings. Where it is not probable, Marley Limited measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

There are no significant uncertain tax positions for disclosure.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Marley Limited expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Marley Limited intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is defined as all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Costs of purchase comprise of the purchase price, including import duties and other taxes (so far as not recoverable from the tax authorities), transport and handling costs, and any other directly attributable costs, less trade discounts, rebates and similar items.

Costs of conversion comprise of the following:

- Costs that are specifically attributable to units of production (for example, direct labour, direct expenses and sub-contracted work).
- A systematic allocation of fixed and variable production overheads incurred in converting raw materials into finished goods.

The allocation of fixed production overheads is based on Marley Limited's normal level of productive capacity. Unallocated overheads are expensed in the period in which they are incurred. Variable production overheads are allocated to each unit of production on the basis of the production facilities' actual use. Idle capacity variances are presented as part of cost of sales.

Financial instruments

Financial assets and financial liabilities are recognised in Marley Limited's statement of financial position when Marley Limited becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

Recognition and derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Marley Limited has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised within the Statement of Profit or Loss.

Measurement

At initial recognition, Marley Limited measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets classified at amortised costs, are subsequently remeasured using the effective interest rate, less any provisions for impairment.

Financial assets classified at amortised costs, are subsequently remeasured with and gains or losses taken to the Statement of Profit or Loss, with gains recognised in the 'interest receivable and similar income' and losses recognised in the 'Interest Payable and similar expenses' line items.

Impairment of financial assets

For trade and other receivables including contract assets, Marley Limited applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Impairment losses are presented as a separate line item in the Statement of Profit or Loss.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. Collection is expected in one year or less and trade receivables are classified as current assets accordingly. Trade receivables are measured at amortised cost using the effective interest method, less provision for impairment.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that

would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Cash and cash equivalents

Cash and cash equivalents reflect cash in-hand at the Statement of Financial Position date, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Marley Limited are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or measured at FVTPL.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities where payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. In the current and prior periods, Marley Limited did not engage in material reverse factoring arrangements.

Derivative financial instruments

The Entity enters into derivative financial instruments such as foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately. The Entity does not designate derivatives as effective hedging instruments.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Entity has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated Statement of Profit or Loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated Statement of Profit or Loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Provisions

Provisions are recognised when Marley Limited has a present obligation (legal or constructive) as a result of a past event, it is probable that Marley Limited will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Earnings per share

Marley Limited has considered the requirements of IAS 33 and as Marley Limited has no securities which are publicly traded (or that are in the process of public issuance), Marley Limited is not required to present earnings per share.

4. Critical accounting judgements and key sources of estimation uncertainty

In applying Marley Limited's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying Marley Limited's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Marley Directors have made in the process of applying Marley Limited's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Treatment of contingent deferred consideration on Viridian Acquisition

The deferred consideration includes service conditions for selected employee vendors. If the employees leave employment during the deferred consideration period, they lose some or all of their rights to consideration.

The amounts which may be foregone if an employee leaves are re-allocated to the other vendors *pro rata* to their shareholdings pre acquisition. Although the total amount of consideration paid does not vary with service conditions, Marley's management have concluded that the element of consideration to which service conditions attach should be treated as post acquisition remuneration as this reflects the intention of these conditions. This has not been accrued for or treated as consideration for the purposes of calculation of goodwill. This will be accrued as service conditions are met.

This is considered to be a significant judgement. The total discounted contingent consideration expected to be payable is £3.5m, £1.5m of this has not been provided at the balance sheet date as it relates to the above service conditions still to be met.

A further £0.6m was placed in a separate bank account as a future bonus payable subject to service and performance conditions. This has also been accounted for as post transaction remuneration.

Key sources of estimation uncertainty

The preparation of historical financial information requires the Marley Directors to make the assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. There are no major sources of estimation uncertainty at the end of each reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Adoption of new and revised Standards

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year.

In the historical financial information, Marley Limited has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS 3 Definition of a business

The impact of these standards is not expected to be material.

There were no new standards effective for the year ended 31 December 2021.

New and revised IFRS Standards in issue but not yet effective

At the date of this historical financial information, Marley Limited has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	<i>Effective for an annual period that begins on or after 1 January 2023</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>	<i>Effective for an annual period that begins on or after 1 January 2023</i>
Amendments to IAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>	<i>Effective for an annual period that begins on or after 1 January 2022</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	<i>Effective for an annual period that begins on or after 1 January 2022</i>

Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>	<i>Effective for an annual period that begins on or after 1 January 2022</i>
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The impact of these standards is not expected to be material to reported results.

6. Revenue

Marley Limited derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines. The disclosure of revenue by product line is consistent with the revenue information that is disclosed for each operating segment under IFRS 8 (see note 7).

Disaggregation of revenue

	Year ended 31 December 2019 £000s	Year ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
	External revenue by product line		
Sale of goods	131,445	111,571	149,887
Contract services	12,103	9,174	9,113
Total	143,548	120,745	159,000
	Year ended 31 December 2019 £000s	Year ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
	External revenue by timing of revenue		
Goods transferred at a point in time	131,445	111,571	149,887
Services transferred over time	12,103	9,174	9,113
Total	143,548	120,745	159,000

The normal credit terms for the MCS CGU are 30 days end of month from delivery. Delivery coincides with the satisfaction of the performance obligation. MCS's performance obligation is each roof installation. The measure of progress is based on costs incurred to date, on the basis that the services are developing/improving an asset controlled by the customer and the associated revenue is therefore recognised over time.

Marley Limited has taken the practical expedient in IFRS 15 not to disclose the transaction price allocated to (partially) unsatisfied performance obligations where the contract is expected to last less than 12 months. The majority of contracts in MCS meet this criterion with an immaterial value of contracts with a longer expected duration.

For the roofing segment, the normal credit terms are 60 days from delivery or acceptance of the goods sold. Invoicing occurs at the time of delivery / acceptance which is when the performance obligation is satisfied.

Assets and liabilities related to contracts with customers

The company has recognised the following assets and liabilities related to contracts with customers:

	For the year ended 31 December		
	2019	2020	2021
	£000s	£000s	£000s
Contract Assets	—	1,311	1,171

There were no contract liabilities at each reporting date.

The contract assets above relate to MCS projects in progress at each period end.

Analysis of revenue by country of destination:

	For the year ended 31 December		
	2019	2020	2021
	£000s	£000s	£000s
United Kingdom	142,817	120,466	158,718
Rest of Europe	436	236	250
Rest of the world	295	43	32
	143,548	120,745	159,000

7. Operating segments

The Marley Directors consider Marley Limited's operating segments to be Roofing and MCS. Marley Limited's trade is managed through two divisions, Roofing being the manufacture and distribution of concrete, clay and timber building products and accessories and MCS being our roof fitting service in Scotland. Both divisions management report to the Board, the Board being the Chief Operating Decision Maker ("CODM") using the segments set out below. The financial information reviewed by the Board is materially the same as that reported under IFRS.

Products and services from which operating segments derive their revenues

Marley Roofing is Marley Limited's largest operating segment and includes the manufacturing and distribution of clay tiles, concrete tiles, timber products, roof fittings and accessories. These products are manufactured and distributed across five manufacturing sites and two distribution depots.

MCS is a roof fitting service based in Scotland. MCS generally fits Marley products on large projects for a range of customers, typically councils and house builders.

Analysis of operating segments

The CODM primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of operating segments.

Underlying EBITDA

Underlying EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as restructuring costs, legal expenses, transaction costs relating to acquisitions, IT fees relating to the carve out from the previous owner of the Roofing and MCS segments and unrealised foreign exchange gains and losses on financial instruments.

Interest income and finance costs are not allocated to segments.

The table below displays the underlying revenue and underlying EBITDA of each operating segment as reported to the CODM for the periods ending 31 December 2019, 31 December 2020 and 31 December 2021.

	31 December 2019	31 December 2020	31 December 2021
Underlying Revenue			
Roofing	132,584	110,910	149,517
MCS	12,103	7,861	9,254
Total	144,687	118,771	158,771

The adjusted revenue reported to the CODM is different to the statutory revenue reported in the Statement of Profit or Loss because audit adjustments are excluded when reporting to the CODM.

	31 December 2019	31 December 2020	31 December 2021
Underlying EBITDA			
Roofing	30,397	27,289	47,719
MCS	1,297	674	1,772
Total	31,694	27,963	49,491

The unadjusted revenue split by operating segment is detailed below for the periods ending 31 December 2019, 31 December 2020 and 31 December 2021.

	31 December 2019	31 December 2020	31 December 2021
Statutory Revenue			
Roofing	131,445	111,571	149,887
MCS	12,103	9,174	9,113
Total	143,548	120,745	159,000

Underlying EBITDA as reported to the CODM through management information (previously under FRS 102 for the periods ending 31 December 2019 and 2020) reconciles to the operating profit before interest receivable, interest payable and income tax as follows:

	31 December 2019	31 December 2020	31 December 2021
Underlying EBITDA			
Underlying EBITDA	31,694	27,963	49,491
Depreciation	(4,065)	(4,154)	(4,377)
Amortisation of goodwill under FRS 102	(552)	(552)	–
Restructuring costs	(300)	(720)	–
IPO related costs	–	–	(311)
Litigation costs	(472)	–	–
IT non-recurring costs	–	(990)	–
Transaction fees relating to acquisitions	(4,217)	–	(189)
Contingent Consideration and post acquisition remuneration	–	–	(1,368)
Gain on disposal of property, plant and equipment	331	3	1,238
Foreign exchange unrealised movements	21	48	(78)
Intercompany finance income	45	1,251	1,241
Finance cost	(235)	(67)	(49)
Operating lease rentals	(469)	–	(44)
Share based payment expense	–	–	(1,653)
Other general overheads excluded	(461)	2	(130)
IFRS conversion (see note 35)	533	(2,073)	–
Effect of historical corrections (see note 35)	–	1,200	–
Profit before income tax from continuing operations	21,853	21,911	43,752

The Board does not regularly monitor the tangible, intangible and financial assets attributable to each segment. All assets are held in the UK.

Inter-segment sales and other transactions are at prevailing market prices.

Information about major customers

Included in revenues arising from Roofing are revenues of approximately £35,360k, £34,540k and £47,938k which arose from sales to Marley Limited's largest customer for the year ended 31 December 2019, 2020 and 2021 respectively. The largest customer represents a buying group of c1,500 customers.

One other customer contributed to over 10% of Marley Limited's revenue and sales to this customer were £13,444k, £15,490k and £16,992k for the year ended 31 December 2019, 2020 and 2021 respectively.

No other customers contributed to 10 per cent or more to Marley Limited's revenue in the year ended 31 December 2019, 2020 and 2021 respectively.

8. Other operating income

	For the year ended 31 December		
	2019	2020	2021
	£000s	£000s	£000s
Government grants income	—	3,028	—
Sundry income	389	416	1,530
	389	3,444	1,530

Marley Limited has been eligible to claim from the government support schemes in response to the Covid-19 outbreak.

Marley Limited furloughed certain staff under the governments Coronavirus Job Retention Scheme (CJRS). The funding received of £3,028k relates to claims made in respect of the year ended 31 December 2020. There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the year.

Sundry income relates to the sale of land and buildings and the sale of scrap materials.

9. Material profit or loss items

Marley Limited has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the company.

	For the year ended 31 December		
	2019	2020	2021
	£000s	£000s	£000s
Depreciation of property, plant and equipment	4,065	4,154	4,062
Depreciation of right of use assets	246	414	315
Impairment of inventory	1,750	326	572
Foreign exchange (gain)/loss on trading items	271	(307)	128
Low value and short life lease rentals			
payable – plant and machinery	446	62	68
Profit on disposal of fixed assets	(331)	(3)	(1,238)
Cost of inventories recognised within cost of sales	49,507	43,795	57,833
Transport costs	11,971	10,209	11,072
Advertising and marketing	2,276	1,123	964
IT and technology operating costs	3,092	2,539	2,519
Repairs and Maintenance	4,041	2,842	3,711
Contingent Consideration	—	—	1,368
Utilities	5,317	4,993	6,096
Staff costs	28,088	23,334	25,121
Sub-contractor costs	4,090	3,050	1,409
IFRS transition adjustments	576	2,006	—
Business rent, rates and stamp duty	3,759	1,821	1,309
General Overheads	2,584	3,101	1,423

10. Staff costs

The average monthly number of employees (including executive directors) was:

	For year ended 31 December		
	2019	2020	2021
	Number	Number	Number
Manufacturing	372	407	417
Finance, sales and administration	216	150	126
	588	557	543

Their aggregate remuneration comprised:

	For the year ended 31 December		
	2019	2020	2021
	£000s	£000s	£000s
Wages and salaries	24,115	19,875	19,987
Social security costs	2,684	2,045	2,025
Equity settled share based payments	—	—	1,653
Cost of defined contribution pension scheme	1,289	1,414	1,456
	28,088	23,334	25,121

11. Finance income

	For the year ended 31 December		
	2019	2020	2021
	£000s	£000s	£000s
Interest receivable from parent company	—	1,251	1,241
Interest on cash pooling	45	—	—
	45	1,251	1,241

12. Finance costs

	For the year ended 31 December		
	2019	2020	2021
	£000s	£000s	£000s
Interest payable to Marley Group undertakings	192	—	—
Interest on lease liabilities	43	67	49
	235	67	49

13. Income Tax

	For the year ended 31 December		
	2019	2020	2021
	£000s	£000s	£000s
Corporation income tax:			
Current year	4,558	1,934	5,938
Adjustments in respect of prior years	—	(996)	316
	4,558	938	6,254
Deferred tax (see note 22):			
Origination and reversal of temporary differences	71	(554)	501
Adjustments in respect of previous periods	—	155	599
Effect of changes in tax rates	—	—	551
	4,629	539	7,905

The standard rate of corporation tax applied to reported profit is 19%, for 2020, 2019 and 2021 respectively.

The charge for the period can be reconciled to the profit before tax as follows:

	For the year ended 31 December		
	2019 £000s	2020 £000s	2021 £000s
Profit before tax	21,853	21,911	43,752
Tax at the corporation tax rate of 19 per cent (For all periods reported)	4,152	4,163	8,313
Tax effect of expenses that are not deductible in determining taxable profit	27	–	212
Adjustments to tax charge in respect of prior periods	–	(996)	915
Non-taxable income			(208)
Marley Group relief	450	(2,572)	(2,731)
Other differences leading to an increase/(decrease) in the tax charge	–	(211)	733
Impact of changes in tax rates on deferred tax		155	671
Tax expense for the year	4,629	539	7,905

Factors that may affect future tax charges

The standard rate of corporation tax for the 12 months to 31 December 2019, 2020 and 2021 was 19%.

On 6 September 2016, Parliament substantively enacted a corporation tax rate of 17% to apply from 1 April 2020. In the March 2020 Budget, the Chancellor of the Exchequer repealed the previously enacted reduction to the standard rate of corporation tax from 19% to 17% that was due to come into force from 1 April 2020. This was substantively enacted on 17 March 2020, which was reflected in the valuation of deferred tax assets and liabilities for the period ended 31 December 2020.

On 11 March 2021, the Finance Bill 2021 was published, and it was announced UK corporation tax will increase from 19% to 25% from April 2023, which was substantively enacted on 10 June 2021. Accordingly, this has been reflected in the valuation of deferred tax assets and liabilities at the 31 December 2021 Statement of Financial Position date, with deferred tax assets and liabilities are measured at the rate at which they are expected to reverse or be used.

14. Goodwill

	£000s
Cost and carrying amount	
At 1 January 2019	–
On acquisition	22,823
At 31 December 2019, 31 December 2020 and 31 December 2021	22,823

The goodwill was transferred to Marley Limited on 1 January 2019 (see note 3) as part of a group reconstruction. The goodwill was not fair valued at that date.

The carrying amount of goodwill has been allocated to CGUs as follows:

	1 January 2019 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2021 £000s
Roofing	22,070	22,070	22,070	22,070
MCS	753	753	753	753
	22,823	22,823	22,823	22,823

Marley Limited tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Marley's management have not identified any indications of impairment and

consider that there is no reasonably possible change in the assumptions used to calculate value in use for each CGU would result in an impairment

The carrying amount of goodwill allocated to the Roofing segment is significant in comparison with the entity's total carrying amount of goodwill and the key assumptions and estimates used by Marley's management in the value-in-use calculations for this CGU are noted below:

Marley's management has used the latest Board approved budgetary and strategic planning forecasts in its estimated future cash flows. These estimates cover the periods to 31 December 2025 and are based upon the latest construction industry forecasts for actual levels over that period.

The key assumptions to which the value in use calculation is most sensitive are detailed below:

	Terminal Growth Rate	Average Revenue Growth Rate	Discount Rate
31 December 2019	2%	4.5%	12.50%
31 December 2020	2%	5.9%	12.50%
31 December 2021	2%	5.9%	12.50%

Terminal growth rates

The terminal growth rates reflect long term forecasts and knowledge of the industry and macro-economic environment.

Forecast period growth rates

Marley's management have used actuals from the year to 31 December 2020 & 2021 in the forecast model therefore the growth rate is impacted by reduced turnover due to Covid 19.

Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each segment.

Cash flow assumptions

Marley management's key assumptions include stable profit margins, based on past experience in this market. Marley Limited's management believes that this is the best available input for forecasting this mature market. No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

15. Investment in Marley Group undertakings

	£'000
Cost	
At 31 December 2019 and 2020	—
Additions	11,229
At 31 December 2021	<u>11,229</u>
Provisions for impairment	
At 31 December 2021	<u>—</u>
Net book value	
At 31 December 2021	<u>11,229</u>

Details of Marley Limited's subsidiaries at 31 December 2021 are as follows:

Direct subsidiaries

Name	Place of business and registered office address	Principal activity	Holding	Proportion of ownership interest %	Proportion of voting power held %
Viridian Solar Limited (formerly Viridian Concepts Limited)	Papworth, Cambridge	Distributor of solar tile modules	Share Capital	100%	100%

Indirect subsidiaries

Viridian Solar BV	Tilburg, Netherlands	Distributor of solar tile modules	Share Capital	100%	100%
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Viridian Solar Limited was acquired on 1st April 2021, Viridian Solar Limited was acquired to gain a presence in the renewable energy roofing sector.

The investment in Viridian Solar Limited was represented by a cash payment of £10,514k and contingent consideration of £715k totaling £11,229k.

Contingent consideration of £715k was accrued at acquisition. The contingent consideration has been measured at fair value based on the expected future forecasts for the subsidiary and agreed threshold for payment of consideration. The fair value has been calculated using probability weightings to determine an expected value and discounted using a 15% discount rate which reflects the risk associated with the estimated future cashflows.

The maximum contingent consideration payable under the acquisition agreement is £12m of which £6.6m relates to post transaction remuneration. A proportion of the contingent consideration relates to employee remuneration as it has service conditions attaching to part of the consideration. An amount of £861k has been estimated as being the element of contingent consideration at acquisition that relates to post acquisition remuneration and will be spread over the 3 year vesting period.

Payment is due over three years, 31 December 2022, 2023, and 2024.

Cash consideration was £10,514k.

A further £600k has been placed in a separate bank account at the date of acquisition for the benefit of the vendors. The £600k has service conditions attaching to it and has been accounted for as post transaction remuneration and therefore is not included in the investment carrying value.

16. Property, plant and equipment

	Land and buildings £000s	Plant and machinery £000s	Assets under construction £000s	Total £000s
Cost				
On acquisition	39,932	93,149	2,815	135,896
Additions	–	3,095	–	3,095
Disposals	(3)	(52)	–	(55)
At 31 December 2019	<u>39,929</u>	<u>96,192</u>	<u>2,815</u>	<u>138,936</u>
Additions	–	960	1,770	2,730
Disposals	(276)	(1,510)	(19)	(1,805)
Transfers between classes	64	2,027	(2,091)	–
At 31 December 2020	<u>39,717</u>	<u>97,669</u>	<u>2,475</u>	<u>139,861</u>
Additions	–	–	5,333	5,333
Disposals	(105)	(325)	–	(430)
Transfers between classes	133	1,959	(2,092)	–
Reclassified to held for sale	(3,737)	–	–	(3,737)
At 31 December 2021	<u>36,008</u>	<u>99,303</u>	<u>5,716</u>	<u>141,027</u>
Accumulated depreciation and impairment				
On acquisition	20,534	73,369	–	93,903
Charge for the year	646	3,419	–	4,065
Eliminated on disposals	–	(42)	–	(42)
At 31 December 2019	<u>21,180</u>	<u>76,746</u>	–	<u>97,926</u>
Charge for the year	637	3,517	–	4,154
Eliminated on disposals	(282)	(1,329)	–	(1,611)
At 31 December 2020	<u>21,535</u>	<u>78,934</u>	–	<u>100,469</u>
Charge for the period	627	3,435	–	4,062
Eliminated on disposals	(80)	(325)	–	(405)
At 31 December 2021	<u>22,082</u>	<u>82,044</u>	–	<u>104,126</u>
	Land and buildings £000s	Plant and machinery £000s	Assets under construction £000s	Total £000s
Carrying amount				
At 1 January 2019	–	–	–	–
At 31 December 2019	<u>18,749</u>	<u>19,446</u>	<u>2,815</u>	<u>41,010</u>
At 31 December 2020	<u>18,182</u>	<u>18,735</u>	<u>2,475</u>	<u>39,392</u>
At 31 December 2021	<u>13,926</u>	<u>17,259</u>	<u>5,716</u>	<u>36,901</u>

Assets under construction in the accounting period relate to capital expenditure projects in progress within Marley Limited's factories.

Assets held for sale at 31 December 2021 relates to land owned in Wrotham, within the Roofing division of Marley Limited. As at 31 December 2021 Heads of Terms had been agreed and the asset was reclassified to Assets held for sale at the net book value, with exchange of contracts expected to be signed within the first quarter of 2022. The asset carries no accumulated depreciation as it is land.

17. Leases

Right-of-use assets

	Buildings £000s	Plant & Equipment £000s	Total £000s
Cost			
At 1 January 2019	—	—	—
On acquisition	28	643	671
Additions	—	1,152	1,152
At 31 December 2019	28	1,795	1,823
Additions	—	90	90
At 31 December 2020	28	1,885	1,913
Additions	—	73	73
Disposals	—	(187)	(187)
At 31 December 2021	28	1,771	1,799
Accumulated depreciation			
At 1 January 2019	—	—	—
Charge for the year	8	238	246
At 31 December 2019	8	238	246
Charge for the year	8	406	414
At 31 December 2020	16	644	660
Charge for the period	7	308	315
On disposals	—	(66)	(66)
At 31 December 2021	23	886	909
Carrying amount			
At 1 January 2019	—	—	—
At 31 December 2019	20	1,557	1,577
At 31 December 2020	12	1,241	1,253
At 31 December 2021	5	885	890

Marley Limited leases several assets including buildings, plant and IT equipment. The average lease term is 3 years for the year ended 31 December 2019, 31 December 2020 and 31 December 2021.

The maturity analysis of lease liabilities is presented in note 22.

	For the year ended 31 December		
	2019 £000s	2020 £000s	2021 £000s
Amounts recognised in the Statement of Profit or Loss			
Depreciation expense on right-of-use assets	246	414	315
Interest expense on lease liabilities	43	67	49
Expense relating to short-term leases	78	7	68

At 31 December 2019, 31 December 2020, and 31 December 2021, Marley Limited is committed to £7k, £7k and £3k respectively for short-term leases.

18. Inventories

	1 January 2019 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2021 £000s
Raw materials	—	7,616	7,384	9,634
Work-in-progress	—	1,391	350	554
Finished goods	—	13,675	8,045	10,278
	—	22,682	15,779	20,466

Movement provisions for inventory impairment totaling to (£1,750k), (£326k) and (£572k) were recognised in Statement of Profit or Loss for the year ended 31 December 2019, 31 December 2020 and for the year ended 31 December 2021 respectively. Inventory stated above is net of provisions for obsolete and slow-moving stock amounting to £1,750k, £2,076k and £2,648k as at 31 December 2019, 31 December 2020 and 31 December 2021 respectively.

The cost of inventories recognised as an expense includes £49,507k, £43,795k, £57,833k for the year ended 31 December 2019, 31 December 2020 and 31 December 2021 respectively.

19. Derivative financial instruments

	1 January 2019 £'000	31 December 2019 £'000	31 December 2020 £'000	31 December 2021 £'000
Derivative financial liabilities				
Foreign currency forward contracts	—	—	—	297
	—	—	—	297
	—	—	—	297

Marley Limited measures derivative financial instruments at fair value at the end of each reporting period. These derivatives are forward contracts to buy Euros to reduce Marley Limited's exposure to commodity and currency risk. The fair value is derived from a marked to market report obtained directly from Marley Limited's corporate foreign exchange bureau.

This is valued at Level 2 fair value.

20. Trade and other receivables

	1 January 2019 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2021 £000s
Trade receivables	—	17,315	17,101	23,198
Amounts owed by group undertakings	—	2,668	27,242	2,024
Other receivables	—	28	2	—
Contract Assets	—	—	1,311	1,171
Prepayments	—	308	412	858
	—	20,319	46,068	27,251

The provision for expected credit loss as at each of the Statement of Financial Position dates is not material.

The amounts owed by group undertakings include an unsecured £2,000k loan to Viridian Solar Limited at 4% interest per annum.

The remaining balances are unsecured and repayable on demand.

The average credit period on sales of goods is 30 days end of month. No interest is charged on outstanding trade receivables.

21. Deferred tax

The following are the major deferred tax liabilities and assets recognised by Marley Limited and movements.

	Accelerated tax depreciation £000s	Other temporary differences £000s	Total £000s
At 1 January 2019	—	—	—
On acquisition	(1,118)	—	(1,118)
Charge to profit or loss	(31)	(40)	(71)
Adjustments on Transition to IFRS	—	(357)	(357)
At 31 December 2019	(1,149)	(397)	(1,546)
Credit to profit or loss	322	78	400
At 31 December 2020	(827)	(319)	(1,146)
Charge to profit or loss	(1,100)	(551)	(1,651)
At 31 December 2021	(1,927)	(870)	(2,797)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Marley Limited intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	1 January 2019 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2021 £000s
Deferred tax liabilities	—	(1,546)	(1,146)	(2,797)
Deferred tax assets	—	—	—	—

22. Lease liabilities

	1 January 2019 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2021 £000s
Maturity analysis:				
Year 1	—	442	412	344
Year 2	—	385	381	257
Year 3	—	354	242	246
Year 4	—	227	229	167
Year 5	—	221	154	—
Onwards	—	149	—	—
	—	1,778	1,418	1,014
Less: Finance charge	—	(184)	(124)	(77)
	—	1,594	1,294	937
Analysed as:				
Non-current	—	1,217	1,017	630
Current	—	377	277	307
	—	1,594	1,294	937

23. Trade and other payables

	1 January 2019 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2021 £000s
Trade payables	—	12,474	13,507	16,418
Amounts owed to parent undertakings	—	7,152	—	—
Other taxation and social security	—	4,180	3,027	3,670
Other payables	—	—	20	1,072
Accruals	—	11,764	11,288	9,341
	—	35,570	27,842	30,501

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 90 days. The amounts owed to parent undertakings accrued interest at 12% and was fully repaid in the year ended 31 December 2020.

24. Share capital

	1 January 2019 Number	31 December 2019 Number	31 December 2020 Number	31 December 2021 Number
Authorised:				
Ordinary shares of £1.00 each	100	200	200	200

100 £1 ordinary shares were issued on incorporation. A further 100 £1 ordinary shares were issued on 1 January 2019 in exchange for the trade, assets and liabilities of the Marley business. £58,766,000 was recognised as share premium on this exchange.

Marley Limited has one class of ordinary shares which carries no right to fixed income. There are no restrictions on the distribution of dividends and the repayment of capital.

25. Reserves

Retained earnings

The retained earnings represents cumulative profits and losses, net of dividends paid and other adjustments.

Share based payments reserve

Represents the difference between the implied share price on issue of shares to Marley directors and the consideration transferred for those shares.

Share premium account

Represents any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

26. Share premium account

	1 January 2019 £000s	31 December 2020 £000s	31 December 2019 £000s	31 December 2021 £000s
Balance at period end	—	58,766	58,766	58,766

27. Share based payments

On 25 June 2021, the Marley Group issued 21,000 ordinary shares to directors and employees. This consisted of a normal share issue and the redistribution of shares that were within an employee benefit trust in the prior period.

Share options and implied share price are as follows for the reporting periods presented:

	Number of Shares	Consideration transferred £000s	Share Based Payment £000s
Outstanding at 31 December 2020	—	—	—
Acquisitions	21,000	284	1,653
At 30 December 2021	21,000	284	1,653

The implied share price for the issue of shares was £125.58 based on an implied equity value of £188,367k.

The share issue has been accounted for as a share based payment under IFRS2. The Marley Group has included £1,653k within equity as a share based payment reserve. Marley's management considered that an element of the share based payment was cash settled but the amount is not considered material.

28. Notes to the cash flow statement

Cash and cash equivalents

	1 January 2019 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2021 £000s
Cash and bank balances	—	27,309	21,844	20,723

Changes in liabilities arising from financing activities

The table below details changes in Marley Limited's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in Marley Limited's cash flow statement as cash flows from financing activities.

	1 January 2019 £000s	On acquisition £000s	Financing cash flows £000s	New leases £000s	Other changes £000s	31 December 2019 £000s
Lease liabilities (note 22)	—	670	(271)	1,152	43	1,594
Loan from parent (note 23)	—	—	6,960	—	192	7,152
Total liabilities from financing activities	—	670	6,689	1,152	235	8,746
	1 January 2020 £000s	Financing cash flows £000s	New leases £000s	Other changes £000s	31 December 2020 £000s	2020 £000s
Lease liabilities (note 22)	1,594	(453)	86	67	1,294	—
Loan from parent (note 23)	7,152	(7,233)	—	81	—	—
Total liabilities from financing activities	8,746	(7,686)	86	168	1,294	—
	1 January 2021 £000s	Financing cash flows £000s	New leases £000s	Other changes £000s	31 December 2021 £000s	2021 £000s
Lease liabilities (note 22)	1,294	(291)	73	(139)	937	—
Total liabilities from financing activities	1,294	(291)	73	(139)	937	—

29. Contingent liabilities

Marley Limited has no capital or other commitments at the end of the year ended 31 December 2019, 2020, or the year ended 31 December 2021 respectively.

30. Retirement benefit plans

Defined contribution plans

Marley Limited operates a defined contributions pension scheme. The assets of the scheme are held separately from those of Marley Limited in an independently administered fund. The pension cost charge represents contributions payable by Marley Limited to the fund and amounted to £1,289k, £1,414k and £1,456k for year ended 31 December 2019, 31 December 2020 and 31 December 2021 respectively. Contributions totaling £224k, £175k and £210k were payable to the fund at the 31 December 2019, 31 December 2020 and 31 December 2021 respectively and are included in creditors.

31. Financial Instruments

(a) Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics; and
- the carrying amounts of financial instruments.

	1 January 2019 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2021 £000s
Financial assets at amortised cost				
Trade and other receivables	—	20,011	45,656	26,393
Cash and cash equivalents	—	27,309	21,844	20,723
Total financial assets	—	47,320	67,500	47,116
Financial liabilities at amortised cost				
Trade and other payables	—	(31,390)	(24,815)	(26,831)
Lease liabilities	—	(1,594)	(1,294)	(937)
Total financial liabilities at amortised cost	—	(32,984)	(26,109)	(27,768)
Financial liabilities at fair value				
Contingent consideration	—	—	—	(2,083)
Forward contracts	—	—	—	(297)
Total financial liabilities	—	—	—	(2,380)

The fair value of the financial assets and financial liabilities measured at amortised cost is approximately equal to the carrying value.

Trade and other payables include trade creditors, other payables, amounts owed to parent undertakings and accruals. Trade and other receivables include trade debtors, other receivables and amounts owed by parent undertakings.

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- 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 or indirectly
- Level 3: unobservable inputs for the asset or liability.

There were no transfers between levels in the period.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis. No financial instruments were measured at fair value for period ending 31 December 2019 and 31 December 2020.

31 December 2021	Level 1	Level 2	Level 3	Total
Derivative financial liability		297		297
Contingent consideration			2,083	2,083

The following valuation techniques are used for instruments categorised in Levels 2 and 3:

- Foreign currency forward contracts (Level 2) – Marley Limited measures derivative financial instruments at fair value at the end of each reporting period. These derivatives are forward contracts to buy Euros to reduce Marley Limited's exposure to commodity and currency risk. The fair value is derived from a marked to market report obtained directly from Marley Limited's corporate foreign exchange bureau. This is a Level 2 instrument in the IFRS 13 fair value hierarchy.
- Contingent consideration (Level 3) – The fair value of contingent consideration related to the acquisition of Viridian Solar Limited (see Note 15) is estimated using a present value technique. The £2,083k fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 15%. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

Sensitivity analysis related to reasonably possible adjustments to unobservable inputs

Marley's management have assessed the impact of adjusting any unobservable inputs to reflect reasonably possible alternative assumptions.

- (i) If the expected value used in the contingent consideration calculation increased by 5%, then Marley's management calculate that the contingent consideration would be £2,183k which is an increase of £100k. Likewise if the expected value decreased by 5% then the contingent consideration would be estimated to be £1,983k which is a decrease of £100k. Neither reasonably possible adjustment is considered to be material.
- (ii) If the discount rate used decreased by 3%, then Marley's management calculate that the contingent consideration would be £2,189k which is an increase of £104k. Likewise if the discount rate increased by 3% then the contingent consideration would be £1,988k which is a decrease of £95k. Neither reasonably possible adjustment is considered to be material.

(b) Financial risk management objectives

Marley Limited's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of Marley Limited through internal risk reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, and price risk), credit risk and liquidity risk.

Marley Limited seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by Marley Limited's policies approved by the board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Marley Limited does not

enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(c) **Foreign currency risk management**

Marley Limited undertakes transactions denominated in Euros; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The net carrying amounts of Marley Limited's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are immaterial and therefore no sensitivity analysis is presented.

(d) **Capital risk management**

Marley Limited manages its capital to ensure that entities in Marley Limited will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

Marley Limited's capital consists of equity, comprising of issued capital, reserves and retained earnings.

The capital structure of Marley Limited consists of no net debt. All exposure to net debt is within the Marley Group headed by Monty Topco Limited, the ultimate parent company.

Marley Limited is not subject to any externally imposed capital requirements.

Marley Limited's objectives when managing capital are to safeguard Marley Limited's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, Marley Limited may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or borrow additional debt.

(e) **Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Marley Limited. Marley Limited's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position,

To minimise exposure to credit risk, Marley's management undertakes the following:

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Marley Limited has a long history of very few instances of bad debt. Marley Limited has insurance arrangements up to the credit limits to mitigate the credit risk.

For trade receivables and contract assets, Marley Limited has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Marley Limited determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Marley Limited writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

Marley Limited only uses A+ financial institutions for management of its cash and other liquid assets. New banking arrangements are reviewed and approved at a Board level.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for management of Marley Limited's short, medium and long-term funding and liquidity management requirements. Marley Limited manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

(f)(i) Liquidity tables

The following tables detail Marley Limited's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Marley Limited can be required to pay.

The contractual maturity is based on the earliest date on which Marley Limited may be required to pay.

	< 1 year £000s	1-2 years £000s	2-5 years £000s	5+ years £000s	Total £000s
31 December 2019					
Trade and other payables	12,474	—	—	—	12,474
Accruals	11,764	—	—	—	11,764
Amounts owed to Parent Undertakings	7,152	—	—	—	7,152
31 December 2020					
Trade and other payables	13,527	—	—	—	13,527
Accruals	11,288	—	—	—	11,288
31 December 2021					
Trade and other payables	17,490	—	—	—	17,490
Accruals	9,341	—	—	—	9,341
Contingent consideration	—	—	2,083	—	2,083

(f)(ii) Liquidity risk (financing facilities)

The Parent Company has access to financing facilities as described below, of which £40 million were unused at 31 December 2019, 31 December 2020 and 31 December 2021 to which Marley Limited is a guarantor. The Parent Company expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

	1 January 2019 £000s	31 December 2019 £000s	31 December 2020 £000s	31 December 2021 £000s
Secured bank facilities:				
Acquisition Finance Facility Available	—	20,000	20,000	—
	—	20,000	20,000	—
	—	20,000	20,000	—
Revolving Credit Facility Available	—	20,000	20,000	20,000
	—	20,000	20,000	20,000
Total secured bank facilities		40,000	40,000	20,000

32. Events after the reporting period

On 25 March 2022, Marley Limited completed the sale of land in Wrotham, within the Roofing division. The asset was included at net book value within assets held for sale at 31 December 2021. The net book value being £3,737,000.

During April 2022, Marshalls plc announced to the London Stock Exchange the intended acquisition of Marley Group Plc, the ultimate parent company of the Marley Group. This is to be financed through a combination of cash and debt. The Marley directors have obtained a letter of assurance that there is no current intention of Marshalls plc, should the acquisition occur, to operate the Marley Group in any different form to the current legal structure and have evaluated those assurances.

33. Related party transactions

Marley Limited's related parties are considered to be the following:

- Etex SA Group. The trade and assets of Marley Limited were owned by Etex SA Group prior to the acquisition in August 2019. Therefore, Etex SA Group is considered to be a related party in 2019.
- IPEP. Marley Limited was acquired by the Infexion Funds in August 2019 and they hold the majority shareholding interest in Monty Topco Limited which is the ultimate parent company. IPEP acts as investment adviser to the Infexion Funds and is therefore considered to be a related party in 2019, 2020 and 2021.
- Viridian Solar Limited was acquired by Marley Limited in April 2021 and as a fully owned subsidiary of Marley Limited, it is a related party in 2021.

During the year, Marley Limited entered into the following transactions with related parties:

	Purchase of Services		
	Year ended 31 December 2019	Year ended 31 December 2020	Year ended 31 December 2021
	£000s	£000s	£000s
IPEP	—	400	409
Etex SA Group	1,181	—	—
Viridian Solar Limited	—	—	—
Total	<u>1,181</u>	<u>400</u>	<u>200</u>

Marley Limited is a guarantor to the debt facilities of the immediate parent company, Monty Bidco Limited, including a £125,000k debt facility and £20,000k of other facilities. The assets of Marley Limited are pledged as security for these facilities. This financial guarantee contract is considered to have no material value at each period end as the probability of default is considered to be low as is the loss given default.

Remuneration of key management personnel

The remuneration of the Marley Directors, who are considered to be the key management personnel of Marley Limited, is set out below in aggregate for each of the categories specified in IAS 24.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Marley Group, including the Marley Directors and the wider Leadership team of Marley Limited.

	Year ended 31 December 2019 £000s	Year ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
Short-term employee benefits	3,889	1,578	1,506
Post-employment benefits	46	41	44
Equity settled share based payments	—	—	1,653
	3,935	1,619	3,203

34. Business combinations

The trade and assets of the clay, concrete fittings and roofing components business of Etex (Exteriors) UK Limited were acquired by Marley Limited on 1 January 2019 for consideration of £58,766,000 settled by issues of shares. The transaction was made at book value as it was a common control transaction outside the scope of IFRS 3 and accounted for using the predecessor method. An additional £18,823,000 of goodwill relating to the transferred business was settled via a capital contribution from the previous parent. As this was a transaction under common control no new goodwill arose on the acquisition.

A breakdown of the assets and liabilities acquired is shown below.

	Book Value £000s
Tangible fixed assets	41,993
Intangible fixed assets	22,823
Total fixed assets	64,816
Inventories	21,906
Debtors	406
Total current assets	22,312
Trade and other payables	(8,421)
Total current liabilities	(8,421)
Deferred tax liability	(1,118)
Total non-current liabilities	(1,118)
Net Assets	77,589
Satisfied by	
Shares	58,766
Capital contribution	18,823
Total consideration	77,589

35. Restatement of prior periods to IFRS

These are Marley Limited's first set of historical financial information prepared in accordance with IFRS as adopted in the UK. The accounting policies set out in note 3 have been applied in preparing the financial statements for all periods.

The last financial statements prepared under FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland were for the year ended 31 December 2020. The date of transition to IFRS for Marley Limited was 1 January 2019. IFRS 1 "First Time Adoption of International Reporting Standards", sets out the transitional rules for when IFRS are applied for the first time. The standard sets out certain mandatory exceptions to retrospective application and certain optional exemptions.

Marley Limited is required to select accounting policies in accordance with IFRS valid at its first IFRS reporting date and apply those policies retrospectively.

The reconciliation of the previously reported Statement of Financial Position at 31 December 2019 from FRS 102 to IFRS:

	See notes below	FRS 102 As previously reported £'000	Effect of historical corrections £'000	IFRS transition adjustments £'000	IFRS £'000
Assets					
Non-current assets					
Intangible assets – goodwill	2	3,448	18,823	552	22,823
Property plant and equipment		41,010	–	–	41,010
Right of Use Assets	1	–	–	1,577	1,577
Total non-current assets		44,458	18,823	2,129	65,410
Current assets					
Inventories		22,682	–	–	22,682
Trade and other receivables	1	20,321	–	(2)	20,319
Cash and cash equivalents		27,309	–	–	27,309
Total assets		114,770	18,823	2,127	135,720
Liabilities					
Current liabilities					
Trade and other payables		(35,570)	–	–	(35,570)
Current tax liabilities		(2,554)	–	–	(2,554)
Lease liabilities	1	–	–	(377)	(377)
Borrowings		–	–	–	–
Net current assets		32,188	–	(379)	31,809
Non-current liabilities					
Deferred tax liabilities	3	(1,189)	–	(357)	(1,546)
Lease liabilities	1	–	–	(1,217)	(1,217)
Total liabilities		(39,313)	–	(1,951)	(41,264)
Net assets		75,457	18,823	176	94,456
Equity					
Share premium		58,766	–	–	58,766
Other equity reserve	2	–	18,823	–	18,823
Retained earnings	1,3	16,691	–	176	16,867
Total equity		75,457	18,823	176	94,456

The reconciliation of the previously reported Statement of Financial Position at 31 December 2020 from FRS 102 to IFRS:

	See notes below	FRS 102 As previously reported £'000	Effect of historical corrections £'000	IFRS transition adjustments £'000	IFRS £'000
Assets					
Non-current assets					
Intangible assets – goodwill	2	2,896	18,823	1,104	22,823
Intangible assets – other intangible assets	4	2,603	–	(2,603)	–
Property plant and equipment		39,392	–	–	39,392
Right of Use Assets	1	–	–	1,253	1,253
Total non-current assets		44,891	18,823	(246)	63,468
Current assets					
Inventories		15,779	–	–	15,779
Trade and other receivables	1	46,069	–	(1)	46,068
Cash and cash equivalents		21,844	–	–	21,844
Total assets		128,583	18,823	(247)	147,159
Liabilities					
Current liabilities					
Trade and other payables	4	(29,042)	1,200	–	(27,842)
Current tax liabilities		(1,049)	–	–	(1,049)
Lease liabilities	1	–	–	(277)	(277)
Net current assets		53,601	1,200	(278)	54,523
Non-current liabilities					
Deferred tax liabilities	3	(747)	–	(399)	(1,146)
Lease liabilities	1	–	–	(1,017)	(1,017)
Total liabilities		(30,838)	1,200	(1,693)	(31,331)
Net assets		97,745	20,023	(1,940)	115,828
Equity					
Share premium		58,766	–	–	58,766
Other equity reserve	2	–	18,823	–	18,823
Retained earnings	1,3, 4	38,979	1,200	(1,940)	38,239
Total equity		97,745	20,023	(1,940)	115,828

The reconciliation of the previously reported Statement of Profit or Loss for the year ended 31 December 2019 from FRS 102 to IFRS:

	See notes below	FRS 102 As previously reported £'000	Effect of historical corrections £'000	IFRS transition adjustments £'000	IFRS £'000
Revenue		143,548	—	—	143,548
Cost of sales		(74,550)	—	—	(74,550)
Gross profit		68,998	—	—	68,998
Distribution costs		(11,925)	—	—	(11,925)
Administrative expenses	1,2	(35,995)	—	576	(35,419)
Other operating income		389	—	—	389
Operating profit		21,467	—	576	22,043
Finance income		45	—	—	45
Finance costs	1	(192)	—	(43)	(235)
Profit before taxation		21,320	—	533	21,853
Income tax	3	(4,629)	—	—	(4,629)
Profit for the financial year		16,691	—	533	17,224

The reconciliation of the previously reported Statement of Profit or Loss for the year ended 31 December 2020 from FRS 102 to IFRS:

	Notes	FRS 102 As previously reported £'000	Effect of historical corrections £'000	IFRS transition adjustments £'000	IFRS £'000
Revenue	4	119,545	1,200	—	120,745
Cost of sales		(64,167)	—	—	(64,167)
Gross profit		55,378	1,200	—	56,578
Distribution costs		(9,993)	—	—	(9,993)
Administrative expenses	1,2,4	(27,296)	—	(2,006)	(29,302)
Other operating income		3,444	—	—	3,444
Operating profit		21,533	1,200	(2,006)	20,727
Finance income		1,251	—	—	1,251
Finance costs	1	—	—	(67)	(67)
Profit before taxation		22,784	1,200	(2,073)	21,911
Income tax	3	(497)	—	(42)	(539)
Profit for the financial year		22,287	1,200	(2,115)	21,372

Notes to the reconciliations

1. IFRS 16 has been adopted from 1 January 2019 (the date of transition). The cumulative catch-up approach has been elected and Marley Limited has recognised a lease liability and right-of-use asset for all leases currently classified as operating leases (with the exception of those leases which are less than 12 months in duration, for which Marley Limited has elected to take the practical expedients available under IFRS 16 not to recognise these lease arrangements). Marley Limited has chosen to measure the right-of-use asset equal to the lease liability at the transition date, using the incremental borrowing rate based on the table below.

Lease Term Remaining	IBR%
Less than 2 years	3.73%
2 to < 4 years	4.29%
4 to < 6 years	4.74%
6 to < 8 years	5.02%
8 to < 10 years	5.19%

This has resulted in a right of use asset of £671,000 being recognised at transition date, £1,577,000 at 31 December 2019 and £1,253,000 at 31 December 2020, with a corresponding lease liability of £670,000 and an adjustment to prepayments of £1,000 being at transition date, £1,594,000 at 31 December 2019 and £1,294,000 at 31 December 2020.

A depreciation charge in respect of the right-of-use asset of £246,000 for the year ended 2019 and £414,000 for the year ended 31 December 2020 has been recorded, along with a finance cost in respect of the lease liability of £43,000 for the year ended 31 December 2019 and £67,000 for the year ended 31 December 2020 are recognised within administrative expenses. This has offset a reduction in rental expenses of £270,000 for the year ended 2019 and £457,000 for the year ended 31 December 2020. The operating lease commitments, in accordance with FRS 102, as at 31 December 2018 when discounted using the incremental borrowing rate at the date of initial application of IFRS 16, are not materially different to the lease liabilities recognised in the statement of financial position as at 1 January 2019.

2. Under IAS 38, goodwill is not permitted to be amortised but is instead tested for impairment at least annually. The amortisation previously charged under FRS 102 of £552,000 for the year ended 31 December 2019 and £552,000 for the year ended 31 December 2020 has been reversed. No impairment losses have been identified.

On original transfer of the trade on 1 January 2019, £18,823k of the legacy business goodwill was omitted in error. This has been adjusted as capital introduced.

3. The transition to IFRS, has led to an increase in the deferred tax liability for Marley Limited primarily for the fixed asset timing differences identified on Industrial Building Allowances. Under FRS 102, assets on which IBAs were claimed in the past but for which the legislation was repealed before they were fully tax depreciated, are treated as non-qualifying assets and therefore the differences between the taxable value and carrying value are permanent in nature, and as such no deferred tax was recognised. However, under IFRS, where temporary differences arise on the difference between the carrying value in the accounts, and a tax basis of £NIL, and where the Initial recognition exemption will not apply, a deferred tax liability is required to be recognised.

The deferred tax liability has increased from £1,118,000 to £1,475,000 at 1 January 2019, £1,189,000 to £1,546,000 at 31 December 2019 and £747,000 to £1,146,000 at 31 December 2020.

The increase in deferred tax liability at 31 December 2020 also includes the effect of increasing the tax charge by £43,000. This is the net charge of the right of use asset depreciation and lease rental expenses detailed in note 1.

4. In preparing the historical financial information it was identified that a rebate accrual has been overstated by £1,200,000 in the period ended 31st December 2020. An adjustment has been posted through that period to increase revenue and reduce accruals by £1,200,000 to correct this amount.

In addition, it was identified that an intangible asset has been included for the new SAP system when under a decision in March 2021 by the IFRS Interpretations Committee on accounting for software as a service the costs should have been expensed through the Statement of Profit or Loss. As this decision was a clarification of existing accounting guidance it has been adjusted for in the period prior to the decision in the historical financial information. An adjustment of £2,603,000 has therefore been posted in period ending December 2020 to remove the intangible asset and increase the administrative expenses.

36. Ultimate Parent Company

As at 31 December 2019 and 2020, the ultimate parent company of Marley Limited was Monty Topco Limited (the “Parent Company”), registered in August 2019. As at 31 December 2021 the ultimate parent company of Marley Limited was Marley Group plc. The controlling shareholders of Marley Limited are the Inflexion Funds.

2. Financial information of Marley Group Plc for the 73 week period ended 31 December 2020 and for the year ended 31 December 2021

Section A: Accountant's Report in respect of the Historical Financial Information



Grant Thornton

The Directors
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7 April 2022

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Marley Group plc and its Subsidiary Undertakings (together, the Marley Group) – Accountant's Report on the Marley Group Historical Financial Information

We report on the Marley Group Historical Financial Information set out in Section 2B of Part XIV of the Prospectus for the 73-week period ended 31 December 2020 and the year ended 31 December 2021 (the **Marley Group Historical Financial Information**).

Opinion

In our opinion, the Marley Group Historical Financial Information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Marley Group as at 31 December 2020 and 31 December 2021 and of its profits or losses, cash flows, changes in equity and statement of comprehensive income for each of the 73 weeks ended 31 December 2020 and the year ended 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the UK.

Responsibilities

The directors of Marshalls plc are responsible for preparing the Marley Group Historical Financial Information in accordance with International Financial Reporting Standards as adopted by the UK and in a form that is consistent with the accounting policies adopted in Marshalls plc's latest annual financial statements as at the date of this Prospectus.

It is our responsibility to form an opinion on the Marley Group Historical Financial Information and to report our opinion to you.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders as a result of the inclusion of this report in the Prospectus, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Item 1.3 of Annex 3 of the United Kingdom version of Regulation number 2019/980 of the European Commission, which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018 (the **PR Regulation**) and Listing Rule 13.4.1R(6), consenting to the inclusion in the Prospectus.

Basis of preparation

The Marley Group Historical Financial Information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 3 to the Marley Group Historical Financial Information.

This report is required by Listing Rule 13.5.21 and is given for the purpose of complying with that regulation and for no other purpose.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of Marshalls plc and the Marley Group in accordance with relevant ethical requirements, which in the United Kingdom is the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our work included an assessment of evidence relevant to the amounts and disclosures in the Marley Group Historical Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Marley Group Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Marley Group Historical Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Marley Group's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Marley Group to cease to continue as a going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Marley Group's ability to continue as a going concern for a period of at least twelve months from the date of the Prospectus for which the Marley Group Historical Financial Information and this report were prepared.

In forming our opinion on the Marley Group Historical Financial Information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Marley Group Historical Financial Information is appropriate.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that this report makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Item 1.2 of Annex 3 of the PR Regulation.

Yours faithfully

GRANT THORNTON UK LLP

Section B: Historical Financial Information

Consolidated Statement of Profit or Loss

		73 week period ended 31 December 2020	Year ended 31 December 2021
	Note	£000s	£000s
Revenue	6	165,845	172,622
Cost of sales		(89,061)	(88,679)
Gross profit		<u>76,784</u>	<u>83,943</u>
Distribution costs		(13,737)	(11,024)
Administrative expenses		(55,629)	(48,103)
Other operating income	8	4,015	439
Operating profit	9	<u>11,433</u>	<u>25,255</u>
Finance income	11	—	1
Finance cost	11	(35,554)	(24,779)
Profit/(Loss) before tax		<u>(24,121)</u>	<u>477</u>
Tax expense	12	(2,450)	(13,152)
Loss for the period		<u>(26,571)</u>	<u>(12,675)</u>

The above results were derived from continuing operations.

There is no other comprehensive income for any of the periods presented above.

Consolidated Statement of Financial Position

		31 December 2020 £000s	31 December 2021 £000s
	Note	31 December 2020 £000s	31 December 2021 £000s
Non-current assets			
Goodwill	14	29,032	30,231
Other intangible assets	15	88,089	91,915
Property, plant and equipment	16	103,927	92,569
Right-of-use assets	17	1,253	1,370
Total non-current assets		<u>222,301</u>	<u>216,085</u>
Current assets			
Inventories	18	15,779	23,813
Trade and other receivables	20	19,018	29,340
Cash and bank balances	29	21,844	22,171
Total current assets		<u>56,641</u>	<u>75,324</u>
Assets held for sale	21	—	11,000
Total assets		<u>278,942</u>	<u>302,409</u>
Current liabilities			
Trade and other payables	24	(28,918)	(44,532)
Current tax liabilities		(1,050)	(630)
Lease liabilities	23	(277)	(400)
Derivative financial instrument	19	—	(309)
Total current liabilities		<u>(30,245)</u>	<u>(45,871)</u>
Non-current liabilities			
Loans and borrowings	25	(250,873)	(260,932)
Accruals	24	(2,007)	—
Deferred tax liabilities	22	(19,885)	(28,194)
Contingent consideration		—	(2,083)
Lease liabilities	23	(1,017)	(1,152)
Total liabilities		<u>(304,027)</u>	<u>(338,232)</u>
Net liabilities		<u>(25,085)</u>	<u>(35,823)</u>
Equity			
Share capital	26	—	150
Share premium	26	—	—
Share based payment reserve	28	—	1,653
Other Reserve		1,486	(148,230)
Retained earnings		(26,571)	110,604
Total deficit		<u>(25,085)</u>	<u>(35,823)</u>

Consolidated Statement of Changes in Equity

	Share capital £000s	Share- based payment reserve £000s	Other reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 7 August 2019	—	—	—	—	—
Loss for the 73 week period	—	—	—	(26,571)	(26,571)
Total comprehensive income for the 73 week period	—	—	—	(26,571)	(26,571)
Issue of share capital in Monty Topco Limited	—		1,486	—	1,486
Total transactions with owners	—	—	—	—	—
Balance at 31 December 2020	—	—	1,486	(26,571)	(25,085)
	Share capital £000s	Share- based payment reserve £000s	Other reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 1 January 2021	—	—	1,486	(26,571)	(25,085)
Loss for the year	—	—	—	(12,675)	(12,675)
Total comprehensive income for the year	—	—	—	(12,675)	(12,675)
Issue of share capital in Monty Topco Limited	—	1,653	284	—	1,937
Issue of share capital	150,000	—	(150,000)	—	—
Capital Reduction	(149,850)	—	—	149,850	—
Total contributions by and distributions to owners	150	1,653	(149,716)	149,850	1,937
Balance at 31 December 2021	150	1,653	(148,230)	110,604	(35,823)

Consolidated Statement of Cash Flows

		73 week period ended 31 December	Year ended 31 December
		2020 £000s	2021 £000s
	Note		
Loss for the period		(26,571)	(12,675)
Adjustments for:			
Finance expense	11	35,554	24,779
Finance income		–	(1)
Tax expense	12	2,450	13,152
Exit fee		2,007	7,813
Fair value adjustment to derivatives		–	309
Depreciation of property, plant and equipment	16	6,409	4,777
Depreciation of right-of-use assets	17	660	385
Amortisation of intangible assets	15	4,021	3,814
Share based payment expense		–	1,653
Gain on disposal of property, plant and equipment	9	(3)	(141)
Increase in contingent consideration		–	1,368
Increase in impairment of inventory	18	1,112	572
Operating cash flows before movements in working capital			
		25,639	45,805
Decrease/(increase) in inventories		4,689	(7,637)
Decrease/(increase) in trade and other receivables		6,092	(7,512)
Increase/(decrease) in trade and other payables		(3,074)	2,450
Cash generated by operations		33,346	33,106
Income taxes paid		(3,318)	(6,609)
Net cash from operating activities		30,028	26,497
Investing activities			
Purchases of property, plant and equipment	16	(4,006)	(5,420)
Investment in subsidiary (net of cash acquired)	33	(220,757)	(7,333)
Proceeds on disposal of property, plant and equipment		158	1,263
Net cash from investing activities		(224,605)	(11,490)
Financing activities			
Issue of shares	26	1,486	284
Lease payments		(465)	(326)
Loan arrangement fees		(10,379)	–
Proceeds from loans notes		133,865	–
Proceeds from bank borrowings		145,000	–
Repayment of bank borrowings		(20,000)	(5,624)
Repayment of loan notes		(20,000)	–
Interest paid		(13,086)	(9,014)
Net cash generated from financing activities		216,421	(14,680)
Net increase/(decrease) in cash and cash equivalents		21,844	327
Cash and cash equivalents at the beginning of period		–	21,844
Cash and cash equivalents at the end of period		21,844	22,171

Notes to the Historical Financial Information

1. General information

Marley Group Plc is a company incorporated under the Companies Act 2006 in England and Wales. The address of the registered office is Lichfield Road, Branston, Burton-On-Trent, England, DE14 3HD.

Marley Group Plc and its subsidiaries (together the “**Marley Group**”) is a manufacturer of concrete, clay and timber building products and accessories including integrated solar panels.

Marley Group Plc was incorporated on 1 September 2021 to act as the new holding company for the Marley Group.

The previous parent of the Marley Group, Monty Topco Limited, was incorporated on 7 August 2019 and the first Statement of Profit or Loss, Statement of Cash flows and Statement of changes in equity are presented for the 73 week period ended 31 December 2020 since its incorporation.

The consolidated Historical Financial Information has been prepared for the 73 week period to 31 December 2020 and the year to 31 December 2021.

The basis of consolidation and use of merger accounting are discussed further in note 3.

2. Basis of preparation of the Historical Financial Information

Statement of compliance

This Historical Financial Information has been prepared for the inclusion in the circular of Marshalls plc on the basis of the accounting policies set out in note 3 which are consistent with those used by Marshalls plc in its annual financial statements for the year ended 31 December 2020. This Historical Financial Information is required by the Listing Rules and is given for the purpose of complying with them and for no other purpose.

The Historical Financial Information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The Marley Group's Historical Financial Information has been prepared in accordance with International Financial Reporting Standards and International Accounting 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 which are effective for the Marshalls plc latest filed annual financial statements for the year ended 31 December 2020.

The Historical Financial Information is presented in Sterling, which is the functional currency of the parent, and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

3. Significant accounting policies

Going concern

The Marley directors have prepared detailed profit and cash forecasts for the period to 31 December 2023 and have prepared sensitivities to their forecasts. An acquisition by Marshalls plc is a liquidity event which triggers repayment of the bank loan and loan notes. The directors have received a letter of support from Marshalls plc confirming that if an acquisition occurs then Marshalls plc will provide support to refinance the Marley Group. On this basis, the directors continue to adopt the going concern basis in the preparation of this historical financial information.

Based on this assessment the Marley Directors considered that it was appropriate to adopt the going concern basis in the preparation of this Historical Financial Information.

Basis of consolidation

The consolidated Historical Financial Information incorporates the financial statements of Marley Group Plc and entities controlled by Marley Group Plc (its subsidiaries) made up to 31 December 2020 and 31 December 2021. Control is achieved when Marley Group Plc:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Marley Group Plc reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Predecessor accounting

Marley Group Plc was incorporated on 1 September 2021 to act as the new parent company for the group, previously Monty Topco Limited was the parent. The new parent was added to the group via a share for share exchange. There were no changes in right or proportion of control exercised as a result of the transaction. Shares with a nominal value of £150,000k were issued in exchange for all the shares in Monty Topco Limited. Marley Group Plc then undertook a capital reduction to convert £149,850k of share capital to distributable reserves.

IFRS 3 – Business combinations excludes common control transactions and group reconstructions. Marley Group Plc has applied guidance in other generally accepted accounting standards in line with the hierarchy in IAS 8 – Accounting policies, accounting estimates and errors, and accounted for the transaction using the principles for group reconstructions under FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The consolidated financial statements incorporate the results of the group reconstruction using the merger accounting method. Where the merger accounting method is used, the carrying amounts of the acquired group's assets and liabilities are not adjusted to fair value so no new goodwill arises. The results of the subsidiaries are presented as if the group structure had been affected throughout the current year.

Comparatives for the pre-existing group are presented, the difference between the nominal value of the shares issued and the nominal value of the shares received in exchange is shown as a movement on other reserves in the consolidated Historical Financial Information. Any existing balances on the share premium account or capital redemption reserve of the new subsidiary are brought in by being shown as a movement on other reserves. These movements are shown in the statement of changes in equity.

Business combinations

All business combinations are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Marley Group.

The Marley Group measures goodwill at the acquisition date as the sum of:

- the fair value of the consideration transferred;
- the recognised amount of any non-controlling interests in the acquiree; and
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Intangible assets are recognised separately from goodwill where they meet the identifiability criteria and can be reliably measured. Intangible assets are identifiable if they are separable or arise from

contractual or other legal rights. The reliable measurement criterion is always considered to be met in a business combination per IAS 38.33.

Costs related to the acquisition which are not directly attributable to share issues are expensed as incurred within administrative expenses in the Statement of Profit or Loss. Any costs directly related to the issue of shares are allocated against the share premium account.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the Statement of Profit or Loss.

Goodwill

Goodwill is initially recognised and measured at cost less accumulated impairment losses.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Marley Group's cash-generating units expected to benefit from the synergies of the combination. Each cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the Statement of Profit or Loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Amortisation charge on the above is included under administrative expenses in the Statement of Profit or loss.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Marley brand	Indefinite lived
Viridian brand	15 years
Customer relationships	13 to 15 Years
Intellectual Property	1 – 10 Years

Amortisation charge on the above is included under administrative expenses in the Statement of Profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, cost of improving the asset, dismantling and restoration costs.

Freehold land is not depreciated.

Depreciation is recognised so as to write off the cost (other than freehold land and assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Buildings	10 to 40 years
Plant and machinery	3 to 20 years
Assets under construction	Not depreciated

Additions to plant and machinery are depreciated from the date the asset becomes available for intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets under construction are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Marley Group's accounting policy. Depreciation of these assets, determined on the same basis as other assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Profit or Loss.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Marley Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The leased assets are depreciated using a straight line method.

Impairment of property, plant and equipment and intangible assets

At each reporting date, the Marley Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is

estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Marley Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life and intangible assets in the course of construction are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Profit or Loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Statement of Profit or Loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

Leases

The Marley Group assesses whether a contract is or contains a lease, at inception of the contract. The Marley Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (less than £5,000). For short-term and low value leases, the Marley Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Where a right-of-use-asset is recognised, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Marley Group uses its asset specific risk adjusted incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Marley Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of property, plant and equipment and intangible assets excluding goodwill' policy.

Revenue recognition

The Marley Group recognises revenue when it transfers control of a product or service to a customer and in line with the five step revenue recognition model of IFRS 15. Revenue is measured based on the consideration to which the Marley Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Marley Group does not provide extended terms on its services and therefore no significant financing components are identified by the Marley Group.

Contracts with customers contain a limited assurance warranty that is accounted for under IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. If a repair or replacement is not possible under the assurance warranty, a full refund of the product price may be given. The potential refund liability represents variable consideration.

Variable consideration in the form of rebates, are assessed based on the terms of individual contracts and based on the tiered structure dependent upon individual customer's purchases during the rebate period. The amount of variability is immaterial at each period end as the majority of customer rebate agreements align with the calendar year.

At the end of each reporting period, Marley's management update the estimated transaction price to represent the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

For sale of services (including projects not completed within the period), the Marley Group accounts for revenue over time, with the measure of progress based on costs incurred to date, on the basis that the services are developing/improving an asset controlled by the customer. The input method is considered to be the most appropriate measure as there is a direct relationship between the Marley Group's costs and the transfer of service to the customer. For the sale of goods manufactured, revenue is recognised at a point of time when the Marley Group has present right for payment for the asset and has transferred control of the asset in accordance with the sales order.

The Marley Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Marley Group satisfies a performance obligation before it receives the consideration, the Marley Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers ("CODMs"), who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board, excluding non-executive directors. The financial information reviewed by the Board is materially the same as that reported under IFRS.

The Marley Directors consider the Marley Group's operating segments to be Roofing, Marley Contract Services (MCS) and Viridian Concepts Limited. Roofing being the manufacture and distribution of concrete, clay and timber building products and accessories, MCS being the roof fitting service in Scotland and Viridian being a distributor of solar tiles.

Government grants

Government grants are recognised in the Statement of Profit or Loss on a systematic basis over the periods in which the related costs towards which they are intended to compensate are recognised as expenses.

Government grants are not recognised until there is reasonable assurance that the Marley Group will comply with the conditions attaching to the grant and that the grant will be received.

During the year ended 31 December 2020, government grants were received in respect of the Coronavirus Job Retention Scheme. In general cash was received from HMRC in the month following the submission of the claim.

No uncertainties were noted in relation to the Coronavirus Job Retention Scheme.

Government grants are recognised within other operating income.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Statement of Profit or Loss in the period in which they are incurred.

Employee benefits

The Marley Group provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits;

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the financial period in which the service is received.

(ii) Defined contribution pension plans;

The Marley Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Marley Group pays fixed contributions into a separate entity. Once the contributions have been paid the Marley Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the Statement of Financial Position. The assets of the plan are held separately from the Marley Group in independently administered funds.

Share-based payments

Share based payments for employee services

During the year ended 31 December 2021, shares were issued to select employees at their tax market value. As this was below fair market value as defined in IFRS 2, and the shares had service conditions attached, a share-based payment charge has been calculated based on the difference between tax market value and fair market value. This charge has been spread over the expected vesting period (to exit); the charge is not remeasured at each reporting date as this is an equity settled share-based payment arrangement.

7,500 of the shares issued were held in an employee benefit trust in 2020. This trust has not been consolidated in this Historical Financial Information as it is not material to the Marley Group.

Share based payments for other services

Where services are received and the payment for those services is based on the enterprise value of the Marley Group at the end of the service period, these services are recognised as cash settled share-based payments in accordance with IFRS 2 - Share-based Payments ("IFRS 2").

Where the fair value of the services is not directly measurable it is calculated at the estimated fair value of the Marley Group's shares plus debt (enterprise value) at the expected settlement date. The fair value is remeasured at each reporting date. The vesting period for the share-based payment is also re-assessed at each reporting date and the fair value is spread over the period in which the Marley Group receives the services. The liability for the services is recognised in current or non-current liabilities based on the expected payment date.

Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated Statement of Profit or Loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated Statement of Profit or Loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Current tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on profit for the year. The taxable profit differs from net profit as reported in the profit or loss because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Marley Group Plc's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Marley's management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

There are no significant uncertain tax positions for disclosure.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Marley Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Marley Group intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is defined as all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Costs of purchase comprise the purchase price, including import duties and other taxes (so far as not recoverable from the tax authorities), transport and handling costs, and any other directly attributable costs, less trade discounts, rebates and similar items.

Costs of conversion comprise of the following:

- Costs that are specifically attributable to units of production (for example, direct labour, direct expenses and sub-contracted work).
- A systematic allocation of fixed and variable production overheads incurred in converting raw materials into finished goods.

The allocation of fixed production overheads is based on the Marley Group's normal level of productive capacity. Unallocated overheads are expensed in the period in which they are incurred. Variable production overheads are allocated to each unit of production on the basis of the production facilities' actual use. Idle capacity variances are presented as part of cost of sales.

At each reporting date, inventories are assessed for impairment. If impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Statement of Profit or Loss. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss and is recognised as a credit in the Statement of Profit or Loss.

Financial instruments

Financial assets and financial liabilities are recognised in the Marley Group's statement of financial position when the Marley Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the Statement of Profit or Loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Recognition and derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Marley Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised within the Statement of Profit or Loss.

Measurement

At initial recognition, the Marley Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets designated at amortised costs, are subsequently remeasured using the effective interest rate, less any provisions for impairment.

Financial assets classified at amortised costs, are subsequently remeasured with any gains or losses taken to the Statement of Profit or Loss, with gains recognised in the 'interest receivable and similar income' and losses recognised in the 'Finance cost' line items.

Impairment of financial assets

For trade receivables, the Marley Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. No material impairment losses were recorded in the current or prior year. Should they arise, impairment losses are presented as a separate line item in the Statement of Profit or Loss.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. Collection is expected in one year or less and trade receivables are classified as current assets accordingly. Trade receivables are measured at amortised cost using the effective interest method, less provision for impairment.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Marley Group are recognised at the proceeds received, net of direct issue costs.

Cash and cash equivalents

Cash and cash equivalents reflects cash in-hand at the Statement of Financial Position date, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities where payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. In the current and prior periods, the Marley Group did not engage in material reverse factoring arrangements.

Derivative financial instruments

The Marley Group enters into derivative financial instruments such as foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Statement of Profit or Loss immediately. The Marley Group does not designate any derivatives as effective hedging instruments.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Marley Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

The Marley Group recognises an embedded derivative separate from the host contract where the economic characteristics and risks of the embedded derivative are not closely related to those of the host liability contract and the host financial liability contract itself is not measured at fair value through profit or loss. The embedded derivative is separated and reported at fair value at inception, with gains and losses recognised on financial assets/liabilities at fair value through profit or loss. The host financial liability contract will continue to be accounted for in accordance with the appropriate accounting standard. The carrying amount of an embedded derivative is reported in the same balance sheet line items as the host financial liability contract.

Held for sale assets

Assets are reclassified as held for sale in accordance with IFRS 5 when management have committed to a plan to sell the asset, the asset is available for immediate sale, an active program is in place to locate a buyer and the sale is highly probable within 12 months of classification as held for sale. The asset is measured at the lower of carrying value or cost, and once the asset is classified as held for sale it is no longer depreciated or amortised.

Earnings per share

The Marley Group has considered the requirements of IAS 33 and as the Marley Group has no securities which are publicly traded (or that are in the process of public issuance), the Marley Group is not required to present earnings per share.

Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

4. Critical accounting judgements and key sources of estimation uncertainty

In applying the Marley Group's accounting policies, which are described in note 3, the Marley Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical judgements in applying the Marley Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the Marley Directors have made in the process of applying the Marley Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

(i) Treatment of contingent deferred consideration on Viridian Acquisition

The deferred consideration includes service conditions for selected employee vendors. If the employees leave employment during the deferred consideration period, they lose some or all of their rights to consideration.

The amounts which may be foregone if an employee leaves are re-allocated to the other vendors *pro rata* to their shareholdings pre acquisition. Although the total amount of consideration paid does not vary with service conditions, management have concluded that the element of consideration to which service conditions attach should be treated as post acquisition remuneration as this reflects the intention of these conditions. This has not been accrued for or treated as consideration for the purposes of calculation of goodwill. This will be accrued as service conditions are met.

This is considered to be a significant judgement. The total discounted contingent consideration expected to be payable is £3.5m, £1.5m of this has not been provided at the balance sheet date as it relates to the above service conditions still to be met. A further £0.6m was placed in escrow as a future bonus payable subject to service and performance conditions. This has also been accounted for as post transaction remuneration.

(ii) **Exit fee payable on sale or IPO**

The Marley Group has a contractual liability to pay a fee to the general partners of the Inflexion Funds, upon sale, listing, disposal or realisation, for management services provided during the period of ownership by the Inflexion Funds.

The Investment Agreement includes a clause that requires Monty Bidco Limited (a subsidiary in the Marley Group) to pay the general partners of the Inflexion Funds two percent of the Enterprise Value of the Marley Group on exit, through listing, sale, disposal or other realisation of the Marley Group by the Investors (the “**Exit Fee**”). The amount payable for these services is variable as it is based on the value of the Marley Group’s equity plus an adjustment for the value of debt at the date of listing.

Marley’s management consider that this Exit Fee is in substance a management fee, and represents amounts payable for advisory, evaluation and arrangement services provided by the general partners of the Inflexion Funds over the life of its ownership of the Marley Group, obtained through an advisory contract with IPEP.

As the Exit Fee represents (a) receipt of services and (b) an obligation for amounts that are based on the value of the Marley Group’s equity instruments, the fee falls within the scope of IFRS 2 ‘Share-based Payment’. As the Exit Fee is payable in cash, it represents a cash-settled share-based payment which requires it to be recognised as a liability and expense.

The services are not identifiable and are not specified in the agreement, however Marley’s management consider that the specific facts and circumstances indicate that services are being provided. The general partners of the Inflexion Funds do not have a significant beneficial interest in the Funds which hold the loan notes (c.£130m) and the 88.5% share of equity in the group. As such it is management’s judgement that the fee does not relate to the debt or equity and therefore must be for services received.

The period over which the services are to be received has been determined by management as being received evenly over the time to exit. Although Marley’s management expects there to be an increased volume of activity at key stages of the investment holding period, including in advance of an exit, they are unable to accurately forecast or measure the service profile. Therefore, Marley’s management have made an assumption that the services are provided evenly over time and have recognised the Exit Fee on a straight-line basis over the service period.

The fee is accrued within administrative expenses in the Statement of Profit or Loss (2021 – £7,813k, 2020 – £2,007k).

(iii) **Timing of future cashflows relating to Loan Notes and Bank Loan**

The Marley Group has a contractual maturity date on the bank loan of 16 August 2026 and on the loan notes of 31 March 2027, this maturity date is currently used as the basis for the timing of repayment under the effective interest rate workings.

Under the effective interest method, when estimating the future cash flows through the expected life of the financial instruments all contractual terms of the financial instruments need to be considered. As at the balance sheet date the group is exploring a number of options, including but not limited to a potential trade sale or reconsidering the postponed IPO should less severe market conditions prevail, which could result in a liquidity event which would require the loans to be repaid at the time the liquidity event occurs. However, there is significant uncertainty in determining the nature and timing of such an event.

Marley’s management have made the judgement that they cannot reliably estimate the timing of such a liquidity event therefore Marley’s management have continued to use the contractual cash flows of the financial instrument as the basis for determining the future cashflows.

This is a significant judgement as under the effective interest rate calculation, the bank loans have £3,038k and the loan notes £4,083k of transaction fees remaining to be

unwound over the remainder of the period of the loan, therefore should this maturity date be brought forward the amortisation of the transaction fees would require acceleration.

4.2 Key sources of estimation uncertainty

The preparation of Historical Financial Information requires the Marley Directors to make the assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below.

(i) Exit fee payable on sale or IPO

The recognition of a liability in respect of the fee is based upon the expected enterprise value obtained at the exit date, and the expected exit date, which determines the period over which the liability is accrued. In addition, recognition of the liability within the Historical Financial Information is also based upon the expected profile of service provision over the holding period.

A liability of £2,007k and £9,820k has been recognised in these financial statements for the periods ending 31 December 2020 and 31 December 2021 respectively.

Due to the inherent uncertainty of valuation, using different but reasonable alternative assumptions could materially change the liability and expense. In addition, outcomes within the next financial year could differ from the estimates used, resulting in a material adjustment to the carrying value of the liability. If the Enterprise value of the Marley Group increased by 10%, this would lead to an increase of the liability of £200k and £982k at 31 December 2020 and 31 December 2021 respectively.

The current estimate is based on an exit date five years from initial investment at inception, revised to 32 months from initial investment at 31 December 2021. If the estimated exit date increased by one year, this would lead to a reduction in the liability of £300k and £2,700k at 31 December 2020 and 31 December 2021 respectively.

(ii) Embedded derivatives held at fair value through profit or loss

The valuation of the embedded derivative separate from the host contract of the bank loan is determined using a Monte Carlo simulation model. The inputs to the model which are considered to have a material impact on the valuation are the credit spread and potentially volatility of the credit spread. Further information on the valuation method and associated inputs is included in note 21.

The expected value of the credit spread in the future has been estimated using a deterministic credit spread based upon a comparable index - ICE BofA Sterling Corporate Index. The assumptions used in the Monte Carlo simulation on inception are a credit spread of 7.0 and volatility of 38.4%, at 31 December 2020 a credit spread of 6.36 and volatility of 37.1% and at December 2021 a credit spread of 5.52 and volatility of 36.73%, resulting in a valuation of £4,095k at all dates.

Marley's management have considered a reasonable movement in credit spreads at both balance sheet dates. At 31 December 2020 a credit spread of 5.70 to 6.84 is considered reasonable possible and this would result in an increase in valuation of £2,274k and a decrease in valuation of £1,133k respectively. At 31 December 2021 a credit spread of 5.39 to 6.55 is considered reasonably possible and this would result in an increase in valuation of £393k and a decrease in valuation of £2,923k respectively. Volatility

disclosures are included in note 24.7 and a reasonably possible change in volatility does not result in a material change to the valuation.

5. Adoption of new and revised Standards

Impact of the initial application of other new and amended IFRS Standards that are effective for the year ended 31 December 2020, being the date of the latest set of filed financial statements for Marshalls plc.

In the Historical Financial Information, the Marley Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

Amendments to IFRS 3 Definition of a Business

The impact of these standards is not expected to be material.

There were no new standards effective for the year ended 31 December 2021.

New and revised IFRS Standards in issue but not yet effective

Where new and revised IFRS Standards that have been issued but are not yet effective could impact future accounting those standards are noted below. Marley's management is not expecting any of these standards to have a material impact on the reported figures. None of the standards noted have been early adopted:

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	<i>Effective for an annual period that begins on or after 1 January 2023</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>	<i>Effective for an annual period that begins on or after 1 January 2023</i>
Amendments to IAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>	<i>Effective for an annual period that begins on or after 1 January 2022</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	<i>Effective for an annual period that begins on or after 1 January 2022</i>
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>	<i>Effective for an annual period that begins on or after 1 January 2022</i>

6. Revenue

The Marley Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major product lines. The disclosure of revenue by product line is consistent with the revenue information that is disclosed for each operating segment under IFRS 8 (see note 7).

Disaggregation of revenue

	73 week period ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
External revenue by product line		
Sale of goods	153,135	163,509
Contract services	12,710	9,113
Total	165,845	172,622

The sale of goods comprise clay, concrete and timber roofing and accessories and sales of solar panels.

Contract services relates to the roof fitting division, Marley Contract Services ("MCS").

	73 week period ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
External revenue by timing of revenue		
Goods transferred at a point in time	153,135	163,509
Services transferred over time	12,710	9,113
Total	165,845	172,622

The normal credit terms for the MCS CGU are 60 days from delivery. Delivery coincides with the satisfaction of the performance obligation. MCS's performance obligations are each roof installation. The measure of progress is based on costs incurred to date, on the basis that the services are developing/improving an asset controlled by the customer and the associated revenue is therefore recognised over time.

For the roofing and solar panels segments, the normal credit terms are 60 days from delivery or acceptance of the goods sold. Invoicing occurs at the time of delivery / acceptance which is when the performance obligation is satisfied.

The Marley Group has taken the practical expedient in IFRS 15 not to disclose the transaction price allocated to (partially) unsatisfied performance obligations where the contract is expected to last less than 12 months. The majority of contracts in MCS meet this criterion with an immaterial value of contracts with a longer expected duration.

The Marley Group has recognised the following assets and liabilities related to contracts with customers:

	73 week period ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
Contract assets	1,311	1,171
	<hr/> 1,311	<hr/> 1,171

There were no contract liabilities at each reporting date.

The contract assets above relate to MCS projects in progress at each period end.

Analysis of revenue by country of destination:

	73 week period ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
United Kingdom	165,427	170,826
Rest of Europe	365	1,581
Rest of the world	53	755
	<hr/> 165,845	<hr/> 172,622

7. Operating segments

The Marley Directors consider the Marley Group's operating segments to be Roofing, MCS and Viridian. Roofing being the manufacture and distribution of concrete, clay and timber building products and accessories, MCS being roof fitting service in Scotland and Viridian being a distributor of solar tiles.

All operating segments management report to the Board, the Board being the Chief Operating Decision Maker ("CODM") using the segments set out below. The financial information reviewed by the Board is materially the same as that reported under IFRS.

Products and services from which operating segments derive their revenues

The Marley Group's operating segments under IFRS 8 are Marley Roofing, MCS and Viridian.

Marley Roofing is the Marley Group's largest operating segment and includes the manufacturing and distribution of clay tiles, concrete tiles, timber products, roof fittings and accessories. These products are manufactured and distributed across our five manufacturing sites and two distribution depots.

MCS is our roof fitting service based in Scotland. MCS generally fits Marley products on large projects for a range of customers, typically councils and house builders.

Viridian is a new segment acquired in April 2021. Viridian is a distributor of Solar Panel Modules and flashing kits. Viridian also has a subsidiary in the Netherlands for its European footprint.

Analysis of operating segments

The CODM primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of operating segments.

Adjusted EBITDA

Adjusted EBITDA excludes the effects of significant items of income and expenditure which may have an impact on the quality of earnings such as restructuring costs, legal expenses, transaction costs relating to acquisitions and unrealised foreign exchange gains and losses on financial instruments.

Interest income and finance costs are not allocated to segments as this is driven by the debt structure of the Marley Group and debt is not held in the trading companies. Other Marley Group costs are also excluded such as Marley Directors monitoring fees, banking commitment fees, amortisation of debt fees, the Investors exit fee and the unwinding of purchase price allocation adjustments arising from consolidation.

The table below displays the adjusted revenue and adjusted EBITDA of each operating segment as reported to the CODM for the periods ending 31 December 2020 and 31 December 2021.

	73-week period ended 31 December 2020	Year ended 31 December 2021
Unadjusted Revenue		
Roofing	153,293	149,517
MCS	11,397	9,254
Viridian	—	13,681
Total	164,690	172,452

The unadjusted revenue reported to the CODM is different to the statutory revenue reported in the Statement of Profit or Loss because audit adjustments are excluded when reporting to the CODM. The audit adjustments in 2021 are £369k at Roofing as a distribution charge is mapped against Revenue at CODM and moved to Distribution costs for statutory, a movement on the MCS year end contract assets calculation of (£141k) and a stock PURP and intercompany adjustment on Viridian revenue of (£59k).

	73-week period ended 31 December 2020	Year ended 31 December 2021
Underlying EBITDA		
Roofing	36,771	47,719
MCS	1,024	1,772
Viridian	—	608
Total	37,795	50,099

The underlying revenue split by operating segment is detailed below for the periods ending 31 December 2020 and 31 December 2021.

	73-week period ended 31 December 2020	Year ended 31 December 2021
Statutory Revenue		
Roofing	153,135	149,887
MCS	12,710	9,113
Viridian	—	13,622
Total	165,845	172,622

Underlying EBITDA as reported to the CODM through management information (previously under FRS 102 for the period ending 31 December 2020) reconciles to the operating profit before interest receivable, interest payable and income tax as follows:

Underlying EBITDA	73-week period ended		Year ended
	31 December 2020	31 December 2021	
Underlying EBITDA	37,795	50,099	
Depreciation	(5,520)	(5,162)	
Amortisation	(18,129)	(3,814)	
Restructuring costs	(720)	—	
Litigation costs	(451)	—	
Professional fees	—	(3,430)	
IT non-recurring costs	(990)	—	
Transaction fees relating to acquisitions	(4,244)	(189)	
Contingent consideration relating to acquisition	—	(1,368)	
Marley Group financing costs	(35,336)	(24,779)	
Fair value adjustment to derivatives	—	(309)	
Exit fee	(2,007)	(7,813)	
Marley Group monitoring fees	(462)	(409)	
Other Marley Group professional fees unallocated to CGU's	(206)	(696)	
Share based payment expense	—	(1,653)	
IFRS conversion	8,230	—	
Effect of historical corrections	(2,081)	—	
Profit/(loss) before income tax	(24,121)	477	

The Board does not regularly monitor the tangible, intangible and financial assets attributable to each segment. All assets are held in the UK.

Inter-segment sales and other transactions are at prevailing market prices.

Information about major customers

Included in revenues arising from Roofing are revenues of approximately £34,540k and £47,938k which arose from sales to the Marley Group's largest customer for 73 weeks ended 31 December 2020 and for the year ended 31 December 2021. This customer is a large buying group.

One other customer contributed to over 10% of the Marley Group's revenue and sales to this customer were £15,490k and £16,992k for the 73 weeks ended 31 December 2020 and for the year ended 31 December 2021.

No other customers contributed to 10 per cent or more to the Marley Group's revenue in the 73 weeks ended 31 December 2020 or for the year ended 31 December 2021.

8. Other operating income

	73 week period ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
Government grants income	3,028	—
Sundry income	987	439
	4,015	439

The Marley Group has been eligible to claim from the government support schemes in response to the Covid-19 outbreak.

The Marley Group furloughed certain staff under the governments Coronavirus Job Retention Scheme (CJRS). The funding received of £3,028k relates to claims made in respect of the year ended 31 December 2020. There are no future related costs in respect of these grants which were received solely as compensation for costs incurred in the year.

Sundry income relates to the sale of scrap materials.

9. Material profit or loss items

The Marley Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Marley Group.

	73 week period ended 31 December 2020 Note £000s	Year ended 31 December 2021 £000s
Depreciation of owned assets	16 6,409	4,777
Depreciation of right-of-use assets	17 660	385
Amortisation of intangible fixed assets	15 4,021	3,814
Impairment of inventory	18 1,112	572
Foreign exchange (gain)/loss on trading items	(227)	128
Operating lease rentals payable – plant and machinery	419	68
Gain on disposal of property, plant and equipment	(3)	(141)
Contingent Consideration	—	1,368
Cost of inventories recognised within cost of sales	18 58,002	69,219
Transaction fees relating to acquisitions	4,670	189
Professional fees	—	3,430
Exit Fee	2,007	7,813
Transport costs	13,709	11,268
Advertising and marketing	2,095	964
IT and consultancy costs	3,848	2,550
Repairs and Maintenance	4,091	3,711
Utilities	6,806	6,103
Staff costs	10 31,612	26,125
Sub-contractor costs	4,179	1,409
IFRS transition costs	4,227	—
Business rates, stamp duty and rental costs	4,587	1,334
General overheads	4,217	1,329
Marley Group overheads	1,127	1,107

10. Staff costs

The average monthly number of employees (including executive Marley Directors) was:

	73 week period ended 31 December 2020 Number	Year ended 31 December 2021 Number
Marley Directors	5	6
Manufacturing	411	417
Finance, sales and administration	154	137
	<hr/>	<hr/>
	570	560
	<hr/>	<hr/>

Their aggregate remuneration comprised:

	73 week period ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
Wages and salaries	26,821	22,546
Social security costs	2,811	2,118
Cost of defined contribution pension scheme	1,980	1,461
	<hr/>	<hr/>
	31,612	26,125
	<hr/>	<hr/>

11. Finance income and costs

	73 week period ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
Finance Income		
Interest on:		
– Bank deposits	<hr/>	1
Total finance income	<hr/>	1
Finance expense		
Interest payable on loan notes	20,739	16,258
Bank interest payable	14,268	8,439
Interest on lease liabilities	81	82
Loss of redemption	466	–
Total finance expense	<hr/>	24,779

In February and March 2020, the Marley Group repaid £20m of the loan notes early and a loss on redemption arose in line with the effective interest rate method.

12. Income Tax

	73 week period ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
Corporation income tax:		
Current year/period	1,872	5,938
Adjustments in respect of prior years/periods	(996)	316
	876	6,254
Deferred tax (see note 22):		
Origination and reversal of temporary differences	(1,049)	(444)
Adjustments in respect of prior years	–	599
Effect of changes in tax rates	2,623	6,743
Total deferred tax	1,574	6,898
Total tax expenses	2,450	13,152

The standard rate of corporation tax applied to reported profit is 19% for 2019, 2020 and 2021. The charge for the period can be reconciled to the profit before tax as follows:

	73 week period ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
Profit/(Loss) for the year	(26,571)	(12,675)
Income tax expense (including income tax on associate, joint venture and discontinued operations)	2,450	13,152
Profit/(Loss) before income taxes	(24,121)	477
Tax at the corporation tax rate of 19 per cent (2020: 19 per cent)	(4,583)	91
Tax effect of expenses that are not deductible in determining taxable profit	1,874	2,541
Adjustments to tax charge in respect of prior periods	(996)	915
Fixed asset difference	–	198
Non-taxable income	–	(208)
Corporate interest restriction	3,588	2,707
Other	(56)	44
Effect of tax rate change	2,623	6,864
Tax charge for the period	2,450	13,152

Factors that may affect future tax charges

The standard rate of corporation tax for the 73 week period ending 31 December 2020 and the year ending 31 December 2021 was 19%.

On 6 September 2016, Parliament substantively enacted a corporation tax rate of 17% to apply from 1 April 2020. In the March 2020 Budget, the Chancellor of the Exchequer repealed the previously enacted reduction to the standard rate of corporation tax from 19% to 17% that was due to come into force from 1 April 2020. This was substantively enacted on 17 March 2020, which was reflected in the valuation of deferred tax assets and liabilities for the period ended 31 December 2020.

On 11 March 2021, the Finance Bill 2021 was published, and it was announced UK corporation tax will increase from 19% to 25% from April 2023, which was substantively enacted on 10 June 2021. Accordingly, this has been reflected in the valuation of deferred tax assets and liabilities at the 31

December 2021 Statement of Financial Position date, with deferred tax assets and liabilities are measured at the rate at which they are expected to reverse or be used.

There is no expiry date on timing differences, unused tax losses or tax credits.

13. Dividends

No dividends have been declared or paid during the periods presented.

14. Goodwill

	£000s
Cost	
On incorporation	—
On acquisition of subsidiaries	29,032
At 31 December 2020	<u>29,032</u>
On acquisition of subsidiaries	<u>1,199</u>
At 31 December 2021	<u>30,231</u>
Accumulated impairment losses	
At 31 December 2020	—
At 31 December 2021	<u>—</u>
Carrying amount	
At 31 December 2020	<u>29,032</u>
At 31 December 2021	<u>30,231</u>

The Marley Group are required to allocate goodwill to groups of cash generating units which are not larger than the segments to which the results are reported. Consequently, goodwill has been reallocated to the reported operating segments as detailed in note 7 based on the discounted cashflow method.

As at 31 December 2021 and 31 December 2020, Marley's management performed impairment tests on CGUs with Goodwill and indefinite lived assets. The recoverable amount of each CGU was determined based on value-in-use calculations covering a forecast period to 31 December 2025, followed by an extrapolation of expected cash flows for the remaining useful lives using a constant growth rate determined by Marley's management.

The present value of the expected cash flows of each segment is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment.

The Marley Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. Marley's management have not identified any indications of impairment and consider that there are no reasonably possible changes in the assumptions used to calculate value in use for each CGU that would result in an impairment.

The carrying amount of goodwill allocated to the Roofing segment is significant in comparison with the entity's total carrying amount of goodwill and the key assumptions and estimates used by Marley's management in the value-in-use calculations for this CGU are noted below:

Marley's management has used the latest Board approved budgetary and strategic planning forecasts in its estimated future cash flows. These estimates cover the periods to 31 December 2025 and are based upon the latest construction industry forecasts for actual levels over that period.

The key assumptions to which the value in use calculation is most sensitive are detailed below:

	Average		
	Terminal	Revenue	Discount
	Growth Rate	Growth Rate	Rate
31 December 2019	2%	4.5%	12.50%
31 December 2020	2%	5.9%	12.50%
31 December 2021	2%	5.9%	12.50%

Terminal growth rates

The terminal growth rates reflect long term forecasts and knowledge of the industry and macro-economic environment.

Forecast period growth rates

Growth rates were lower in 2019 due to the expected impact of COVID-19.

Discount rates

The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each segment.

Cash flow assumptions

Marley management's key assumptions include stable profit margins, based on past experience in this market. The Marley Group's management believes that this is the best available input for forecasting this mature market. No expected efficiency improvements have been taken into account and prices and wages reflect publicly available forecasts of inflation for the industry.

The carrying amount of goodwill allocated to each CGU are set out below:

	31 December 2020 £000s	31 December 2021 £000s
Roofing	28,200	28,200
MCS	832	832
Viridian	—	1,199
	<u>29,032</u>	<u>30,231</u>

The Roofing segment also had indefinite lived assets (brands) totaling £52,910 allocated to the CGU.

15. Other intangible assets

	Brand £000s	Customer Lists £000s	Other Intangibles £000s	Total £000s
Cost				
On incorporation	—	—	—	—
On acquisition of subsidiaries	<u>52,910</u>	<u>39,200</u>	—	<u>92,110</u>
At 31 December 2020	<u>52,910</u>	<u>39,200</u>	—	<u>92,110</u>
Amortisation				
On incorporation	—	—	—	—
Charge for the period	—	<u>4,021</u>	—	<u>4,021</u>
At 31 December 2020	<u>—</u>	<u>4,021</u>	—	<u>4,021</u>
Carrying amount				
At 31 December 2020	<u>52,910</u>	<u>35,179</u>	—	<u>88,089</u>
On incorporation	—	—	—	—

The acquisitions of subsidiaries in 2020 relate to the acquisition of Marley Limited.

	Brand £000s	Customer Lists £000s	Other Intangibles £000s	Total £000s
Cost				
At 31 December 2020	52,910	39,200	—	92,110
On acquisition of subsidiaries	2,080	4,540	1,020	7,640
At 31 December 2021	<u>54,990</u>	<u>43,740</u>	<u>1,020</u>	<u>99,750</u>
Amortisation				
At 31 December 2020	—	4,021	—	4,021
Charge for the period	104	3,326	384	3,814
At 31 December 2021	<u>104</u>	<u>7,347</u>	<u>384</u>	<u>7,835</u>
Carrying amount				
At 31 December 2021	<u>54,886</u>	<u>36,393</u>	<u>636</u>	<u>91,915</u>
At 31 December 2020	<u>52,910</u>	<u>35,179</u>	<u>—</u>	<u>88,089</u>

The acquisitions of subsidiaries in 2021 relate to the acquisition of Viridian Concepts Limited.

The brand consists of Marley Limited and Viridian Solar Limited. The Marley Limited brand is treated as having an indefinite useful economic life whereas the Viridian Concepts brand has a 15-year useful economic life. The two brands are treated differently because Marley has a larger brand history than Viridian.

The customer lists are amortised over a 13-year useful economic life for Viridian and a 15-year useful economic life for Marley.

Other intangibles also include intellectual property in Viridian which is amortised over a 2-year useful economic life.

16. Property, plant and equipment

	Land and buildings £000s	Plant and machinery £000s	Assets under construction £000s	Total £000s
Cost				
As at 1 January 2019	—	—	—	—
On incorporation	—	—	—	—
Acquisitions	75,738	30,558	189	106,485
Additions	58	1,644	2,304	4,006
Disposals	(248)	(1,510)	(19)	(1,777)
At 31 December 2020	<u>75,548</u>	<u>30,692</u>	<u>2,474</u>	<u>108,714</u>
Accumulated depreciation				
As at 1 January 2019	—	—	—	—
On incorporation	—	—	—	—
Charge for the period	853	5,556	—	6,409
Eliminated on disposals	(282)	(1,340)	—	(1,622)
At 31 December 2020	<u>571</u>	<u>4,216</u>	<u>—</u>	<u>4,787</u>
Carrying amount				
At 31 December 2020	74,977	26,476	2,474	103,927
On incorporation	—	—	—	—

	Land and buildings £000s	Plant and machinery £000s	Assets under construction £000s	Total £000s
Cost				
At 1 January 2021	75,548	30,692	2,474	108,714
On acquisition of subsidiaries	—	121	—	121
Additions	—	87	5,333	5,420
Disposals	(1,202)	(325)	—	(1,527)
Transfers between classes	133	1,959	(2,092)	—
Reclassified to held for sale	(11,000)	—	—	(11,000)
At 31 December 2021	<u>63,479</u>	<u>32,534</u>	<u>5,715</u>	<u>101,728</u>
Accumulated depreciation				
At 1 January 2021	571	4,216	—	4,787
Charge for the period	627	4,150	—	4,777
Disposals	(80)	(325)	—	(405)
At 31 December 2021	<u>1,118</u>	<u>8,041</u>	<u>—</u>	<u>9,159</u>
Carrying amount				
At 31 December 2020	<u>74,977</u>	<u>26,476</u>	<u>2,474</u>	<u>103,927</u>
At 31 December 2021	<u>62,361</u>	<u>24,493</u>	<u>5,715</u>	<u>92,569</u>

Assets under construction in the accounting periods relate to capital expenditure projects in progress within our factories.

Assets held for sale at 31 December 2021 relates to land owned in Wrotham, within the Roofing division of Marley Limited. As at 31 December 2021 Heads of Terms had been agreed and the asset was reclassified to Assets held for sale at the NBV, with exchange of contracts expected to be signed within the first quarter of 2022. The asset carries no accumulated depreciation as it is land.

17. Right-of-use assets

	Buildings £000s	Plant and Equipment £000s	Total £000s
Cost			
On incorporation	—	—	—
Acquisitions	28	1,885	1,913
At 31 December 2020	<u>28</u>	<u>1,885</u>	<u>1,913</u>
Additions	—	73	73
On acquisition of subsidiaries	498	52	550
Disposals	-	(187)	(187)
At 31 December 2021	<u>526</u>	<u>1,823</u>	<u>2,349</u>
Accumulated depreciation			
On incorporation	—	—	—
Charge for the period	16	644	660
At 31 December 2020	<u>16</u>	<u>644</u>	<u>660</u>
Charge for the period	52	333	385
Eliminated on disposal	—	(66)	(66)
At 31 December 2021	<u>68</u>	<u>911</u>	<u>979</u>
Carrying amount			
At 31 December 2020	<u>12</u>	<u>1,241</u>	<u>1,253</u>
At 31 December 2021	<u>458</u>	<u>912</u>	<u>1,370</u>

The Marley Group leases several assets including buildings, plant and IT equipment. The average lease term is 3 years.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Marley Group uses its incremental borrowing rate adjusted for asset specific risks.

The maturity analysis of lease liabilities is presented in note 23.

	73 week period ended		Year ended
	31 December	2020	31 December
		£000s	£000s
Amounts recognised in the Statement of Profit or Loss			
Depreciation expense on right-of-use assets		660	385
Interest expense on lease liabilities		89	82
Expense relating to short-term leases		46	68

At 31 December 2020 and 31 December 2021, the Marley Group is committed to £7k and £3k respectively for short-term leases.

18. Inventories

	31 December	31 December
	2020	2021
	£000s	£000s
Raw materials	7,385	9,634
Work-in-progress	350	554
Finished goods	8,044	13,625
	15,779	23,813

Impairment losses totaling £1,112k and £572k were recognised in Statement of Profit or Loss for the 73 week period ended 31 December 2020 and for the year ended 31 December 2021. Inventory stated above is net of provisions for obsolete and slow moving stock amounting to £2,076k at 31 December 2020 and £2,648k at 31 December 2021.

The cost of inventories recognised as an expense includes £58,002k and £69,219k for the period ended 31 December 2020 and for the year ended 31 December 2021.

19. Derivative financial instruments

	31 December	31 December
	2020	2021
	£'000	£'000
Derivative financial liabilities		
Foreign currency forward contracts	—	309
	—	309

The Marley Group measures derivative financial instruments at fair value at the end of each reporting period. These derivatives are forward contracts to buy Euros to reduce the Marley Group's exposure to commodity and currency risk. The fair value is derived from a marked to market report obtained directly from the Marley Group's corporate foreign exchange bureau.

This is valued at Level 2 fair value.

20. Trade and other receivables

	31 December 2020 £000s	31 December 2021 £000s
Trade receivables	17,292	25,349
Other receivables	3	62
Prepayments	412	1,147
Payments in advance	–	1,611
Contract Assets	1,311	1,171
	<hr/>	<hr/>
	19,018	29,340

The provision for expected credit loss as at each of the Statement of Financial Position dates is not material. The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables.

21. Assets classified as held for sale

Assets held for sale at 31 December 2021 relate to land owned in Wrotham. As at 31 December 2021 Heads of Terms had been agreed and the asset was reclassified to Assets held for sale at the NBV. The asset carries no accumulated depreciation as it is land.

22. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Marley Group and movements thereon during the period.

	Temporary differences depreciation/ amortisation £000s	Total £000s
On business combinations	(19,249)	(19,249)
Charge to profit or loss	(636)	(636)
At 31 December 2020	<hr/>	<hr/>
	(19,885)	(19,885)
On business combinations	(1,390)	(1,390)
Charge to profit or loss	(6,919)	(6,919)
At 31 December 2021	<hr/>	<hr/>
	(28,194)	(28,194)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Marley Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31 December 2020 £000s	31 December 2021 £000s
Deferred tax liabilities	(19,885)	(28,194)
Deferred tax assets	–	–
	<hr/>	<hr/>

The provision for deferred taxation is made up as follows:

	31 December 2020 £000s	31 December 2021 £000s
Short term timing differences	(636)	(2,535)
Business combinations	<u>(19,249)</u>	<u>(25,659)</u>
	<u>(19,885)</u>	<u>(28,194)</u>

The following are the major deferred tax assets/(liabilities) recognised by the Marley Group and movements thereon during the period.

	31 December 2020 £000s	31 December 2021 £000s
Deferred tax – balance b/fwd	–	(19,885)
Deferred tax – charge to profit or loss	(636)	(1,390)
Deferred tax – arising on business combinations	<u>(19,249)</u>	<u>(6,919)</u>
	<u>(19,885)</u>	<u>(28,194)</u>

23. Lease liabilities

	31 December 2020 £000s	31 December 2021 £000s
Maturity analysis:		
Year 1	412	461
Year 2	381	398
Year 3	242	356
Year 4	229	243
Year 5	154	76
Onwards	–	191
	<u>1,418</u>	<u>1,725</u>
Less: finance charges	<u>(124)</u>	<u>(173)</u>
	<u>1,294</u>	<u>1,552</u>
Analysed as:		
Current	277	400
Non-current	<u>1,017</u>	<u>1,152</u>
	<u>1,294</u>	<u>1,552</u>

24. Trade and other payables

	31 December 2020 £000s	31 December 2021 £000s
Current liabilities		
Trade payables	13,399	16,817
Other taxation and social security	3,155	4,787
Accruals	<u>12,364</u>	<u>22,928</u>
	<u>28,918</u>	<u>44,532</u>
Non-current liabilities		
Accruals	<u>2,007</u>	–

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 90 days for the year ended 31 December 2021 (2020: 90 days).

Within accruals is the exit fee (see note 4). This is shown as a non-current liability in the period ended 31 December 2020 based on the expected timing of a trigger event. This has moved to current liabilities in the year ended 31 December 2021 as expectations changed.

25. Loans and borrowings

	31 December 2020 £000s	31 December 2021 £000s
Bank loans	121,132	114,932
Loan notes	129,741	146,000
	<hr/> <hr/> 250,873	<hr/> <hr/> 260,932

The amounts included within bank loans are secured against assets of Marley Limited, Monty Bidco Limited and Monty Midco 2 Limited and are repayable in full no later than 7 years from the date they were issued. They carry an effective interest rate of 7.5% per annum and transaction fees of £4,983k which are capitalised against the debt. These transaction fees are being amortised over the life of the facilities, on a straight-line basis. At the end of the accounting period, the transaction fees netted against the debt amounted to £3,038k.

The bank loans also have an early repayment fee which is triggered both at the borrower's choice and on a change of control or IPO. This fee is 3.75% (£4,477k) of the outstanding loan if the repayment event occurs before 16 August 2022, 1.875% (£2,238k) if the event occurs between 16 August 2022 and 16 August 2023 and nil thereafter. The early repayment fee also included an additional make whole amount if triggered prior to 16 August 2021. This repayment clause is recognised as an embedded derivative and is separately valued from the host contract. Changes in the Marley Group's credit rating have an impact on the value of the option. This option has been valued using a Monte Carlo simulation model based on the contractual redemption terms and measuring the Marley Group's forward assessment of the loan. The fair value of the derivative asset at inception and on the balance sheet dates 31 December 2020 and 31 December 2021 was £4,095k. As a result the non-cash credit recognised through the income statement was £nil (2020 £nil).

Additionally, on inception of the loan and the derivative asset, the value of the loan host was increased at inception where the host loan's amortised cost then reduces to par at maturity using an effective interest rate method.

The loan notes are unsecured and will be redeemed at the earlier date of 31/03/2027, date of a sale or listing or the date of disposal. They carry an interest rate of 12% per annum. Transaction fees of £5,396k were capitalised against the loan notes and are included within the effective interest rate calculated.

26. Share capital

	31 December 2021 Number
Authorised, issued and fully paid:	
A1 ordinary shares	1,272,739
A2 ordinary shares	2,261
B ordinary shares	225,000
Total	<hr/> <hr/> 1,500,000

	Share capital 31 December 2021 £000s	Share premium 31 December 2021 £000s
Authorised, issued and fully paid:		
A1 ordinary shares	150	—
A2 ordinary shares	—	—
B ordinary shares	—	—
Total	150	—

On the incorporation date of Monty Topco Limited, 7 August 2019, 1 Ordinary share of £1 was issued at par of £0.01. On 30 August 2019, a resolution was passed to redesignate the 1 Ordinary share to an A1 Ordinary share. Also, on 30 August 2019 a resolution was passed to issue 1,272,738 A1 Ordinary shares, 2,261 A2 Ordinary shares and 177,750, B Ordinary. All ordinary shares were issued at par of £0.01 for £1.

On 10 July 2020, a resolution was passed to issue a further 33,750 B Ordinary shares at par of £0.01 for £1.

On 25 June 2021, a resolution was passed to issue a further 13,500 B Ordinary shares at par of £0.01 for £21.

On 17 September 2021 Marley Group Plc acquired the whole of the issued share capital of Monty Topco Limited, the previous parent company of the Marley Group, by way of a share-for-share exchange. The shares issued by Marley Group Plc to the existing shareholders as consideration mirrored the class, proportional nominal value and number of shares. Each share issued by Marley Group Plc had a nominal value of £100.

On 20 September 2021 Marley Group Plc undertook a capital reduction, by way of reduction in nominal value of shares. The nominal value of each share was reduced from £100 to £0.10, reducing Share Capital from £150,000k to £150k and creating distributable reserves of £149,850k and other reserves of (£148,230k) representing the difference between the equity consideration paid by Marley Group Plc and the equity of the predecessor legal parent of the Marley Group, Monty Topco Limited.

All shares rank *pari passu*.

27. Reserves

Retained earnings

The retained earnings represents cumulative profits and losses, net of dividends paid and other adjustments.

Share based payments reserve

Represents the difference between the implied share price on issue of shares to directors and the consideration transferred for those shares.

Other reserves

Other reserves represents the previous share structure brought forward and at the year end represents the merger reserve, representing the difference between the equity consideration paid by Marley Group Plc and the equity of the predecessor legal parent of the Marley Group, Monty Topco Limited.

28. Share based payments

Equity settled share based payments

On 25th June 2021, the Marley Group issued 21,000 ordinary shares to Marley Directors and employees. This consisted of a normal share issue and the redistribution of shares that were within an employee benefit trust in the prior period.

Share options and implied share price are as follows for the reporting periods presented:

	Number of Shares	Consideration transferred	Share Based Payment
		£000s	£000s
Outstanding at 31 December 2020	—	—	—
Acquisitions	21,000	284	1,653
At 30 December 2020	<u>21,000</u>	<u>284</u>	<u>1,653</u>

The implied share price for the issue of shares was £125.58 based on an implied equity value of £188,367k. The fair value was determined using a multiple of earnings based on PE multiples for comparator listed companies.

The share issue has been accounted for as a share based payment under IFRS2. The Marley Group has included £1,653k within equity as a share based payment reserve. Marley's management considered that an element of the share based payment was cash settled but the amount is not considered material.

Cash settled share based payments

The exit fee payable on sale or IPO is a share based payment as it is determined based on the enterprise value of the Marley Group. The Marley Group has a contractual liability to pay a fee to the general partners of the Inflexion Funds, upon sale, listing, disposal or realisation, for management services provided during the period of ownership by the Inflexion Funds.

The Investment Agreement includes a clause that requires Monty Bidco Limited (a subsidiary in the Marley Group) to pay the general partners of the Inflexion Funds two percent of the Enterprise Value of the Marley Group on exit, through listing, sale, disposal or other realisation of the Marley Group by the Investors ("the Exit Fee"). The amount payable for these services is variable as it is based on the value of the Marley Group's equity plus an adjustment for the value of debt at the date of listing.

The Exit Fee is in substance a management fee, and represents amounts payable for advisory, evaluation and arrangement services provided by the general partners of the Inflexion Funds over the life of its ownership of the Marley Group, obtained through an advisory contract with IPEP.

As the Exit Fee represents (a) receipt of services and (b) an obligation for amounts that are based on the value of the Marley Group's equity instruments, the fee falls within the scope of IFRS 2 'Share-based Payment'. As the Exit Fee is payable in cash, it represents a cash-settled share-based payment which requires it to be recognised as a liability and expense.

The period over which the services are to be received has been determined by Marley's management as being received evenly over the time to exit.

At the periods ending 31 December 2020 and 2021, the exit fee was based on an EBITDA multiple derived from an average of competitor listed companies. Multiples used range from 9x to 20x and the EBITDA used was the actual result from the respective periods.

Due to the inherent uncertainty of valuation, using different but reasonable alternative assumptions could materially change the liability and expense relating to the exit fee. In addition, outcomes within the next financial year could differ from the estimates used, resulting in a material adjustment to the carrying value of the liability. If the Enterprise value of the Marley Group increased by 10%, this would lead to an increase of the liability of £200k and £982k at 31 December 2020 and 31 December 2021 respectively.

The current estimate is based on an exit date five years from initial investment at inception, revised to 32 months from initial investment at 31 December 2021. If the estimated exit date increased by one year, this would lead to a reduction in the liability of £300k and £2,700k at 31 December 2020 and 31 December 2021 respectively.

29. Notes to the cash flow statement

Cash and cash equivalents

	31 December 2020 £000s	31 December 2021 £000s
Cash and bank balances	21,844	22,171
	<u>21,844</u>	<u>22,171</u>

Changes in liabilities arising from financing activities

	7 August 2019 £000s	Financing cash flows (i) £000s	New leases £000s	Other changes £000s	31 December 2020 £000s
Bank loans (note 25)	—	120,017	—	1,115	121,132
Loan notes (note 25)	—	108,469	—	21,272	129,741
Lease liabilities (note 23)	—	(465)	1,197	562	1,294
Total liabilities from financing activities	<u>—</u>	<u>228,021</u>	<u>1,197</u>	<u>22,949</u>	<u>252,167</u>
	1 January 2021 £000s	Financing cash flows £000s	New leases £000s	Other changes £000s	31 December 2021 £000s
Bank loans (note 25)	121,132	(5,624)	—	(576)	114,932
Loan notes (note 25)	129,741	—	—	16,259	146,000
Lease liabilities (note 23)	1,294	(326)	73	511	1,552
Total liabilities from financing activities	<u>252,167</u>	<u>(5,950)</u>	<u>73</u>	<u>16,194</u>	<u>262,484</u>

Other changes included within the above represents amortisation of transaction fees within bank loans, effective interest rate incurred against the loan notes and other changes to lease liabilities includes changes due to business combinations, disposals of leases during term and interest cost incurred.

30. Contingent liabilities

The Marley Group has no capital or other commitments as at 31 December 2020 or 31 December 2021.

31. Retirement benefit plans

Defined contribution plans

The Marley Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Marley Group in an independently administered fund. The pension cost charge represents contributions payable by the Marley Group to the fund and amounted to £1,980k and £1,461k for the period ended 31 December 2020 and for year ended 31 December 2021 respectively.

Contributions totaling £175k and £210k were payable to the fund as at 31 December 2020 and 31 December 2021 respectively and are included in creditors.

32. Financial Instruments

(a) Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics; and
- the carrying amounts of financial instruments.

	31 December 2020 £000s	31 December 2021 £000s
Financial assets at amortised cost		
Trade and other receivables	18,606	26,582
Cash and cash equivalents	21,844	22,171
Total financial assets	40,450	48,753
Financial liabilities at amortised cost		
Trade and other payables	(25,763)	(29,925)
Lease liabilities	(1,294)	(1,552)
Loans and borrowings	(254,968)	(265,027)
Total financial liabilities at amortised cost	(282,025)	(296,504)
Financial assets at fair value		
Embedded derivative held at fair value through profit or loss*	4,095	4,095
Total financial assets	4,095	4,095
Financial liabilities at fair value		
Contingent consideration	–	(2,083)
Exit fee	(2,007)	(9,820)
Forward contracts	–	(309)
Total financial liabilities	(2,007)	(12,212)

The fair value of the financial assets and financial liabilities measured at amortised cost is approximately equal to the carrying value.

Trade and other payables include trade creditors, other payables and accruals. Trade and other receivables include trade debtors and other receivables.

*Loans and borrowings in note 25 includes the embedded derivative offset against loans and borrowings. The embedded derivative represents the early repayment clause within the loan.

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- 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 or indirectly
- Level 3: unobservable inputs for the asset or liability.

There were no transfers between levels in the period.

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis. No financial instruments were measured at fair value for the period ending 31 December 2020.

31 December 2021	Level 1	Level 2	Level 3	Total
Derivative financial liability		309		309
Contingent consideration			2,083	2,083
Embedded derivative			4,095	4,095

The following valuation techniques are used for instruments categorised in Levels 2 and 3:

- Foreign currency forward contracts (Level 2) – The Marley Group measures derivative financial instruments at fair value at the end of each reporting period. These derivatives are forward contracts to buy Euros to reduce the Marley Group's exposure to commodity and currency risk. The fair value is derived from a marked to market report obtained directly from the Marley Group's corporate foreign exchange bureau. This is a Level 2 instrument in the IFRS 13 fair value hierarchy.
- Contingent consideration (Level 3) – The fair value of contingent consideration related to the acquisition of Viridian Concepts Limited (see Note 15) is estimated using a present value technique. The £2,083k fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 15%. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.
- Embedded derivative within bank loan (level 3) – the fair value of the embedded derivative within the bank loan is determined based on the interest rate and credit spread. The interest rate component is modelled using a Geometric Brownian motion method without drift to forecast the credit spread from loan origination to maturity. The expected value of the credit spread in the future cannot be reliably estimated due to the lack of implied or historic volatilities and its correlation with interest rates, market convention for the fair value of these is therefore to use a deterministic credit spread.

Sensitivity analysis related to reasonably possible adjustments to unobservable inputs

Marley's management have assessed the impact of adjusting any unobservable inputs to reflect reasonably possible alternative assumptions.

- If the expected value used in the contingent consideration calculation increased by 5%, then management calculate that the contingent consideration would be £2,183k which is an increase of £100k. Likewise if the expected value decreased by 5% then the contingent consideration would be estimated to be £1,983k which is a decrease of £100k. Neither reasonably possible adjustment is considered to be material.
- If the discount rate used decreased by 3%, then management calculate that the contingent consideration would be £2,189k which is an increase of £104k. Likewise if the discount rate increased by 3% then the contingent consideration would be £1,988k which is a decrease of £95k. Neither reasonably possible adjustment is considered to be material.
- If the volatility assumption in the credit spread is increased by 5% at the balance sheet date, the value of the embedded derivative asset is increased by £187k, if the volatility assumption is decreased by 5% the value of the embedded derivative asset is decreased by £276k. Neither reasonably possible adjustment is considered to be material.
- Marley's management have also considered a reasonable movement in the credit spreads at the balance sheet dates. The credit spreads used indicate a material change in the valuation is reasonable possible, further details are included within note 4.2.ii.

(b) Financial risk management objectives

The Marley Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Marley Group through internal risk reports which analyses

exposures by degree and magnitude of risks. These risks include market risk (including currency risk, and price risk), credit risk and liquidity risk.

The Marley Group seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Marley Group's policies approved by the board of Marley Directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Marley Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

(c)(i) Foreign currency risk management

The Marley Group undertakes transactions denominated in Euros; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The net carrying amounts of the Marley Group's foreign currency denominated monetary assets and monetary liabilities at the reporting dates are immaterial and therefore no sensitivity analysis is presented.

(c)(ii) Interest rate risk management

The Marley Group is exposed to interest rate risk because entities in the Marley Group borrow funds at both fixed and floating interest rates. The risk is managed by the Marley Group by maintaining an appropriate mix between fixed and floating rate borrowings. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

The Marley Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 2 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents Marley management's assessment of the reasonably possible change in interest rates.

If interest rates had been 2 per cent higher/lower and all other variables were held constant, the Marley Group's:

- Loss for the 73 week period ended 31 December 2020 would decrease/increase by £35k (31 December 2021: decrease/increase by £35k). This is mainly attributable to the Marley Group's exposure to interest rates on its variable rate borrowings.

(d) Capital risk management

The Marley Group manages its capital to ensure that entities in the Marley Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The Marley Group's capital consists of equity, comprising of issued capital, reserves and retained earnings.

The Marley Group's debt consists of loan notes which are held on the international stock exchange and a bank loan.

The Marley Group's objectives when managing capital are to safeguard the Marley Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Marley Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or borrow additional debt.

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Marley Group. The Marley Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

To minimise the Marley Group's exposure to credit risk, Marley's management undertakes the following:

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. The Marley Group has a long history of very few instances of bad debt. The Marley Group has insurance arrangements up to the credit limits to mitigate the credit risk.

The Marley Group only uses A+ financial institutions for management of its cash and other liquid assets. New banking arrangements are reviewed and approved at a Board level.

For trade receivables and contract assets, the Marley Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Marley Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. As the Marley Group has a history of low credit loss the expected credit loss provision is not material and the provision matrix has not been disclosed.

The Marley Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

(f) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of Marley Directors, which has established an appropriate liquidity risk management framework for management of the Marley Group's short, medium and long-term funding and liquidity management requirements. The Marley Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Marley Group has at its disposal to further reduce liquidity risk are set out below.

(f)(i) **Liquidity tables**

The following tables detail the Marley Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Marley Group can be required to pay.

	< 1 year £000s	1-2 years £000s	2-5 years £000s	5+ years £000s	Total £000s	Carrying amount £000s
31 December						
2020						
Trade and other payables	13,399	—	—	—	13,399	13,399
Bank loan	9,375	9,375	28,125	130,859	177,734	121,132
Loan notes	—	—	—	271,409	271,409	129,741
Accruals	12,364	—	—	—	12,364	12,364
31 December						
2021						
Trade and other payables	16,817	—	—	—	16,817	16,817
Bank loan	8,953	8,953	142,875	—	160,871	114,932
Loan notes	—	—	—	271,409	271,409	146,000
Accruals	13,108	—	—	—	13,108	13,108
Contingent consideration	—	—	2,083	—	2,083	2,083

The bank loan is repayable in full no later than 16 August 2026. See note 25 for consideration of an early repayment clause within the host contract which is recognised as an embedded derivative and separately valued. This clause can be triggered both at borrower's choice and on change of control or IPO therefore the future cashflows relating to the loan are subject to change. The timing of future cashflows on the loan is therefore considered a management judgement and considered in 4.1.iii, as the timing of an exit event cannot be reliably estimated management have continued to use the contractual cash flows as the basis for determining future cashflows.

(f)(ii) **Liquidity risk (financing facilities)**

The Marley Group has access to financing facilities as described below, of which £40 million were unused at 31 December 2020 and £20 million was unused at 31 December 2021. The Marley Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

	31 December 2020 £000s	31 December 2021 £000s
Secured bank facilities:		
Acquisition Finance Facility		
Available	20,000	—
	20,000	—
Revolving Credit Facility		
Available	20,000	20,000
	20,000	20,000
Total secured bank facilities	40,000	20,000

33. Business combinations

On 30 August 2019, the Marley Group acquired the entire share capital of Marley Limited for cash consideration of £238,346k. Marley Limited is engaged in the business of clay and concrete tiles and fittings and roofing business.

The goodwill recognised on the acquisition relates to the expected growth, cost synergies and the value of the acquiree's workforce which cannot be separately recognised as an intangible asset. None of the goodwill is expected to be deductible for tax purposes.

The acquisition has been accounted for under the acquisition method. The following table sets out the recognised amounts of identifiable assets acquired, and liabilities assumed.

	£'000
Assets:	
Inventory	21,580
Trade and other receivables	25,110
Property, plant and equipment	106,485
Right-of-use assets	635
Cash	17,589
Identifiable intangible assets	92,110
Liabilities:	
Trade and other payables	(34,109)
Provision for liabilities	(356)
Lease liability	(481)
Deferred tax assets/(liabilities)	(19,249)
Total identifiable assets acquired and liabilities assumed	<u>209,314</u>
Goodwill	29,032
Total consideration	<u>238,346</u>
Satisfied by:	
Cash paid relating to the transaction	238,346
Total consideration transferred	<u>238,346</u>
Net cash outflow arising on acquisition:	
Cash consideration	238,346
Less: cash and cash equivalent balances acquired	(17,589)
Net cash outflow on acquisition	<u>220,757</u>

Fair Value Adjustments

The book value of trade and other receivables equates to the fair value and represents the gross contractual amount receivable. At acquisition date all cashflows are expected to be collected.

The Marley Group has performed a fair value assessment of intangible fixed assets, tangible fixed assets and inventory at the point of acquisition. Marley's management have reviewed the useful lives of plant and machinery and made reasonable judgements regarding the condition of the assets. This resulted in an uplift of £8,630k. Furthermore, Marley's management have carried out a review of the value of owned land, using experts where necessary to gain a reasonable and fair estimation. This resulted in an uplift of £56,795k to the carrying value of land and buildings. In addition, an adjustment to inventories was identified amounting to £2,659k relating to the revaluation of finished goods. The fair value uplift is net of a £633K inventory provision.

Marley's management have also valued the Marley brand and customer relationships in the accounting period at £92,110k. Marley's management used a discounted cash flow model and a reasonable weighted average cost of capital ("WACC") to assess the sum of present values over the next ten years. The customer relationships will be amortised over the next 13 years and the brand is treated as having an indefinite useful economic life.

Deferred tax amounting to £18,103k has been estimated based on a tax rate of 19%. This is calculated on the fair value adjustment and the brand valuation noted above.

Marley Limited was acquired at the date that the group commenced to trade. All the revenue in the first period of account is attributable to the acquisition. Marley generated £16.4m of pre tax profit in the period since acquisition.

Acquisitions in the period

100% of the share capital of Viridian Concepts Limited was acquired on 1st April 2021, Viridian Concepts Limited was acquired to gain a presence in the renewable energy roofing sector.

The goodwill recognised on the acquisition relates to the expected growth, cost synergies and the value of the acquiree's workforce which cannot be separately recognised as an intangible asset. None of the goodwill is expected to be deductible for tax purposes.

Cash consideration was £10,514k. A further £600k has been placed in a separate bank account at the date of acquisition for the benefit of the vendors. The £600k has service conditions attaching to it and has been accounted for as post transaction remuneration.

Contingent consideration of £715k was accrued at acquisition. The contingent consideration has been measured at fair value based on the expected future forecasts for the subsidiary and agreed threshold for payment of consideration. The fair value has been calculated using probability weightings to determine an expected value and discounted using a 15% discount rate which reflects the risk associated with the estimated future cashflows.

The maximum contingent consideration payable under the acquisition agreement is £12m of which £6.6m relates to post transaction remuneration. A proportion of the contingent consideration relates to employee remuneration as it has service conditions attaching to part of the consideration. An amount of £861k has been accounted for as post acquisition remuneration to be spread over the 3 year vesting period.

Payment is due in the quarter following 31 December 2022, 31 December 2023, and 31 December 2024.

The acquisition has been accounted for under the acquisition method. The following table sets out the recognised amounts of identifiable assets acquired and liabilities assumed.

Acquisitions in the year ended 31 December 2021

	£'000
Assets:	
Inventory	969
Trade and other receivables	2,810
Property, plant and equipment	676
Cash	3,181
Identifiable intangible assets	7,640
Liabilities:	
Creditors: amounts falling due within one year	(2,141)
Creditors: amounts falling after one year	(1,715)
Deferred tax assets/(liabilities)	(1,390)
Total identifiable assets acquired and liabilities assumed	<u>10,030</u>
Goodwill	1,199
Total consideration	<u>11,229</u>
Satisfied by:	
Cash paid relating to the transaction	10,514
Contingent consideration	715
Total consideration transferred	<u>11,229</u>
Net cash outflow arising on acquisition:	
Cash consideration	10,514
Less: cash and cash equivalent balances acquired	(3,181)
Net cash outflow on acquisition	<u>7,333</u>

Fair Value Adjustments

Marley's management have also valued the Viridian brand, intellectual property and customer relationships in the accounting period at £7,640k. Marley's management used a discounted cash flow model and a reasonable WACC value to assess the sum of present values over the next ten years. The brand is being amortised over the next 15 years, the customer relationships will be amortised over the next 11 years and the intellectual property over 2 years.

Deferred tax amounting to £1,390k has been estimated based on a tax rate of 19%. This is calculated on the fair value adjustment and the brand valuation noted above.

Viridian contributed £14m to revenue post acquisition and £549k to profit before tax. Had Viridian been acquired at the start of the financial, revenues for the year ending December 2021 would have been £3.4m higher with net profit before tax £180k higher for the same period.

34. Events after the reporting period

On 25 March 2022, the Marley Group completed the sale of land in Wrotham, within the Roofing division of Marley Limited. The asset was included at net book value within assets held for sale at 31 December 2021. The net book value being £11,000,000 (which differs to the net book value shown in the financial information of Marley Limited for the year ended 31 December 2021 due to the fair value adjustment applied on the acquisition of the Marley business by the Inflexion Funds).

During April 2022, Marshalls plc announced to the London Stock Exchange the intended acquisition of Marley Group Plc. This is to be financed through a combination of cash and debt. The Marley directors have obtained a letter of assurance that there is no current intention of Marshalls plc, should the acquisition occur, to operate the Marley Group in any different form to the current legal structure and have evaluated those assurances.

35. Related party transactions

The Marley Group's related parties are considered to be the following:

Infexion Private Equity Partners

Marley Limited was acquired by the Infexion Funds in August 2019 and they hold the majority shareholding interest in Marley Group Plc which is the ultimate parent of the Marley Group. IPEP acts as investment advisor to the Infexion Funds and is therefore considered to be a related party in 2020.

Marley Group Trading transactions

During the year, group entities entered into the following transactions with related parties who are not members of the Marley Group:

	73 week period ended 31 December 2020 £000s	12 months ended 31 December 2021 £000s
Infexion Private Equity Partners	400	409

The following amounts were outstanding at the reporting date:

	73 week period ended 31 December 2020 £000s	12 months ended 31 December 2021 £000s
The Infexion Funds	134,095	150,083

Amounts owed to The Infexion Funds include the Marley Group Plc loan notes and rolled up interest. The figure above includes £5,171k and £21,159k of unrolled up interest on the loan notes for the periods ending 31 December 2020 and 31 December 2021 respectively. £20,000k of loan notes were repaid by the group in February and March 2020.

Fees payable on an exit or IPO.

During the year/period, group entities entered the following transactions with related parties who are not members of the Marley Group:

	73 week period ended 31 December 2020 £000s	12 months ended 31 December 2021 £000s
General partner of the Infexion Buyout Fund	1,004	3,906
General partner of the Infexion Supplemental Fund	1,004	3,906

The following amounts were outstanding at the reporting date:

	73 week period ended 31 December 2020 £000s	12 months ended 31 December 2021 £000s
General partner of the Infexion Buyout Fund	1,004	4,910
General partner of the Infexion Supplemental Fund	1,004	4,910

The exit fee is a cash-settled share-based payment. The fee is calculated as 2% of the enterprise value, being share value plus debt at exit. The fair value of services received has been calculated indirectly, by reference to the fair value of the equity plus expected debt at exit.

The fair value was determined using a multiple of earnings based on PE multiples for comparator listed companies.

Remuneration of key management personnel

The remuneration of the Marley Directors, who are the key management personnel of the Marley Group, is set out below in aggregate for each of the categories specified in IAS 24, note this does not include non-executive Directors.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Marley Group, including the Marley Directors and the wider Leadership team of Marley Group Plc. Those persons included in key management personnel under Marley Group Plc are the same as those under the previous legal group headed by Monty Topco Plc.

	73 week period ended 31 December 2020 £000s	Year ended 31 December 2021 £000s
Short-term employee benefits	1,916	1,506
Equity settled share based payments	—	1,653
Post-employment benefits	51	44
	1,967	3,203

Subsidiaries

Details of the Marley Group's subsidiaries at 31 December 2021 are as follows:

Name	Place of business and registered office address	Principal activity	Holding	Proportion of ownership interest %	Proportion of voting power held %
Direct subsidiary					
Monty Topco Limited	Branston, Burton Upon Trent	Holding company	Share Capital	100%	100%
Indirect subsidiaries					
Marley Limited	Branston, Burton Upon Trent	Roofing manufacturer	Share Capital	100%	100%
Monty Bidco Limited	Branston, Burton Upon Trent	Holding company	Share Capital	100%	100%
Monty Midco 2 Limited	Branston, Burton Upon Trent	Holding company	Share Capital	100%	100%
Monty Midco 1 Limited	Branston, Burton Upon Trent	Holding company	Share Capital	100%	100%
Viridian Solar Limited	Papworth, Cambridge	Distributor of solar tile modules	Share Capital	100%	100%
Viridian Solar BV	Tilburg, Netherlands	Distributor of solar tile modules	Share Capital	100%	100%

PART XV

CAPITALISATION AND INDEBTEDNESS

The tables below set out the capitalisation and the indebtedness of the Group as at the dates stated and as such do not reflect the impact of the Acquisition or the Equity Issuance.

The following table sets out the Group's capitalisation as at 31 December 2021, being the balance sheet date of the Group's most recently published audited financial information, and as at 28 February 2022, being a date within 90 days of the date of this Prospectus.

	As at 31 December 2021 (audited) £000s ^(1,3,4,5)	As at 28 February 2022 (unaudited) £000s ^(2,3,4,5)
Equity		
Share capital	50,013	50,013
Own shares ⁽³⁾	(646)	(594)
Share premium	24,482	24,482
Capital redemption reserve ⁽⁴⁾	75,394	75,394
Hedging reserve ⁽⁵⁾	830	2,466
Total equity	150,073	151,761

Notes:

- (1) The information for the capitalisation of the Group as at 31 December 2021 has been extracted without material adjustment from the Group's financial information included within the 2021 Annual Report and Accounts as incorporated by reference into Part XIII (*Historical Financial Information of Marshalls plc*) of this document.
- (2) The information for the capitalisation of the Group as at 28 February 2022 has been extracted without material adjustment from the Group's unaudited accounting records as at 28 February 2022.
- (3) Transactions of the employee benefit trust are included within the Group's statement of equity. The employee benefit trust's purchases of shares in the Group are debited directly to equity. The debit balance at 31 December 2021 was £646,000 and at 28 February 2022 the debit balance was £594,000.
- (4) On 8 July 2004, a capital restructuring of the Group was undertaken where Marshalls plc was introduced as the new holding company of the Group by way of a court-approved Scheme of Arrangement under section 425 of the Companies Act 1985. The restructuring was accounted for as a capital reorganisation and accounting principles were applied as if Marshalls plc had always been the holding company of the Group. This reorganisation led to the creation of a capital redemption reserve and a consolidation reserve. The capital redemption reserve as at 31 December 2021 and as at 28 February 2022 was £75.4 million. As part of the capital restructuring, the difference between the aggregate nominal value of the new shares issued by Marshalls plc and the called-up share capital, capital redemption reserve and share premium account of Marshalls Group plc (the previous holding company) was transferred to a consolidation reserve.
- (5) The hedging reserve balance presented above represents the gains and losses arising on derivatives used for cash flow hedging, principally from the Group's interest rate swaps, energy price contracts and forward exchange contracts.

The following table sets out the Group's total indebtedness as at 28 February 2022, being a date within 90 days of the date of this Prospectus.

	As at 28 February 2022 (unaudited) £000s ^(1,2,3)
Current	
Guaranteed	—
Secured ⁽²⁾	(8,592)
Unsecured ⁽³⁾	(1,672)
Total current borrowings⁽¹⁾	(10,264)

	As at 28 February 2022
	(unaudited)
	£000s^(1,2,3)
Non-current	
Guaranteed	—
Secured ⁽²⁾	(32,125)
Unsecured ⁽³⁾	(29,337)
Total non-current borrowings	(61,462)
Total indebtedness⁽¹⁾	(71,726)

Notes:

- (1) This statement of total indebtedness has been extracted without material adjustment from the Group's unaudited accounting records as at 28 February 2022.
- (2) The statement of total indebtedness includes the Group's lease liabilities under IFRS 16. The IFRS 16 lease liabilities recognised at 28 February 2022 were £8.6 million of current lease liabilities and £32.1 million of non-current lease liabilities; totalling £40.7 million. The Group's lease liabilities under IFRS 16 are not considered to be debt under the Group's existing financial covenants.
- (3) Current bank debt consists of a term loan from HSBC UK Bank plc of €2.0 million; £1.7 million translated at the spot rate at 28 February 2022 with an interest rate of 0.71%. The remainder of the non-current bank loans are facilities provided by National Westminster Bank plc of £10.0 million (1.57% rate) and Lloyds Bank plc, which provides a £14.5 million facility (1.38% rate) and a €5.8 million (£4.8 million) facility (0.44% rate).

The following table sets out the net indebtedness of the Group as at 28 February 2022, being a date within 90 days of the date of this Prospectus.

	As at 28 February 2022
	(unaudited)
	£000s^(1,2,3)
Cash	—
Cash and cash equivalents	5,951
Liquidity	5,951
Current financial receivable	—
Current bank debt ⁽³⁾	(8,592)
Current portion of non-current loans ⁽²⁾	(1,672)
Current financial debt	(10,264)
Net current financial liquidity	(4,313)
Non-current bank loans ⁽³⁾	(32,125)
Other non-current loans ⁽²⁾	(29,337)
Non-current financial indebtedness	(61,462)
Net financial indebtedness⁽¹⁾	(65,775)

Notes:

- (1) This statement of net indebtedness has been extracted without material adjustment from the Group's unaudited accounting records as at 28 February 2022.
- (2) The statement of total indebtedness includes the Group's lease liabilities under IFRS 16. The IFRS 16 lease liabilities recognised at 28 February 2022 were £8.6 million of current lease liabilities and £32.1 million of non-current lease liabilities; totalling £40.7 million. The Group's lease liabilities under IFRS 16 are not considered to be debt under the Group's existing financial covenants.
- (3) Current bank debt consists of a term loan from HSBC UK Bank plc of €2.0 million; £1.7 million translated at the spot rate at 28 February 2022 with an interest rate of 0.71%. The remainder of the non-current bank loans are facilities provided by National Westminster Bank plc of £10.0 million (1.57% rate) and Lloyds Bank plc, which provides a £14.5 million facility (1.38% rate) and a €5.8 million (£4.8 million) facility (0.44% rate).

Indirect and contingent indebtedness

The above statement of net financial indebtedness does not include the following contingent liabilities, which are included within notes to the balance sheet of the Group's Historical Financial Information as at 31 December 2021 as set out within the 2021 Annual Report and Accounts as incorporated by reference into Part XIII (*Historical Financial Information of Marshalls plc*) of this document. The items included within both note (1) and (2) below are only calculated annually as part of the statutory accounts process.

1. As at 31 December 2021 National Westminster Bank plc had issued, on behalf of the Group, the following irrevocable letters of credit relating to the Group's cap on self-insurance for employer's liability and vehicle insurance. This forms part of the contingent indebtedness of the Group at 31 December 2021 and is not included within the balance sheet of the Group or either of the statements of total indebtedness or net indebtedness above. A schedule of these letters of credit is included below:

Beneficiary	Amount	Period	Purpose
M S Amlin Limited	£430,000	23.12.2011 to 30.10.2022	Employer's liability
HDI Global SE – UK	£500,000	08.12.2020 to 30.10.2022	Employer's liability
AOI Nissay Dowa Insurance UK Limited	£575,000	08.12.2020 to 30.10.2022	Vehicle insurance
Aviva Insurance Limited	£100,000	19.03.2014 to 29.10.2022	Vehicle insurance
M S Amlin Limited	£180,000	30.10.2016 to 30.10.2022	Vehicle insurance
Total	£1,785,000		

2. At 31 December 2021 the Group had contracted lease commitments which had yet to commence of £1.5 million (31 December 2020; £3.0 million). Whilst these leases had been entered into contractually, the debt was not included within the balance sheet of the Group.

PART XVI

UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma statement of net assets and the unaudited pro forma income statement of the Enlarged Group contained in this section (together, the “**Unaudited Pro Forma Financial Information**”) are intended to illustrate the impact of the Acquisition, the Equity Issuance and the Debt Financing (i) on the consolidated net assets of the Group as at 31 December 2021 as if they had taken place at that date and (ii) on the consolidated income statement of the Group for the year ended 31 December 2021 as if they had taken place on 1 January 2021.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and illustrates the impact of the Acquisition, the Equity Issuance and the Debt Financing as if they had taken place at a hypothetical earlier date. As a result, the hypothetical financial position or results included in the Unaudited Pro Forma Financial Information may differ from the Enlarged Group’s actual financial position or results.

The Unaudited Pro Forma Financial Information is based on the consolidated financial statements of the Group for the financial year ended 31 December 2021 and the historical financial information of the Marley Group for the year ended 31 December 2021. The Unaudited Pro Forma Financial Information has been prepared in accordance with the basis set out in the notes below, in a manner consistent with IFRS as adopted in the UK.

The Unaudited Pro Forma Financial Information has been prepared in accordance with the requirements of sections 1 and 2 of Annex 20 of the Prospectus Delegated Regulation and does not constitute financial statements within the meaning of section 434 of the Companies Act 2006. Shareholders should read the whole of this document and not rely solely on the Unaudited Pro Forma Financial Information in this Part XVI (*Unaudited Pro Forma Financial Information*). Grant Thornton UK LLP’s report on the Unaudited Pro Forma Financial Information is set out in section B of this Part XVI (*Unaudited Pro Forma Financial Information*).

Unaudited pro forma income statement for the year 31 December 2021

	(1) Group Year ended 31 December 2021 Note 1 (£000s)	(2) Marley Group Year ended 31 December 2021 Note 2 (£000s)	(3) Net proceeds from the Debt Financing Note 3 (£000s)	(4) Net proceeds from the Equity Issuance Note 4 (£000s)	(5) Acquisition adjustments Note 5 (£000s)	Pro forma Enlarged Group Year ended 31 December 2021 (£000s)
Revenue	589,264	172,622	—	—	—	761,886
Net operating costs	(513,041)	(147,367)	—	—	7,813	(652,595)
Operating profit	76,223	25,255	—	—	7,813	109,291
Net financial costs	(6,901)	(24,778)	19,948	—	—	(11,731)
Profit before tax	69,322	477	19,948	—	7,813	97,560
Income tax expense	(14,424)	(13,152)	(3,790)	—	(1,484)	(32,850)
Profit after tax	54,898	(12,675)	16,158	—	6,329	64,710

Notes:

- (1) The financial information for the unaudited pro forma income statement of the Group as presented within column (1) has been extracted, without material adjustment, from the Group’s financial information included within the 2021 Annual Report and Accounts as incorporated by reference into Part XIII (*Historical Financial Information of Marshalls plc*) of this document.
- (2) The financial information for the unaudited pro forma income statement of the Marley Group as presented within column (2) has been extracted, without material adjustment, from the Historical Financial Information as presented within Part XIV (*Historical Financial Information of the Target*).

(3) Net proceeds from the Debt Financing

- The net decrease in finance costs of £19.9 million reflects the add back of actual finance costs incurred by the Marley Group of £24.8 million on its loans and other borrowings which would not have been incurred by the Enlarged Group had the Debt Financing completed on 1 January 2021. This reduction is offset by the pro forma interest charge based upon the Group's existing facilities at 2.30%, calculated as the SONIA rate of 0.50% plus the margin rate of 1.80% resulting in a pro forma interest charge of £4.9 million, resulting in the net decrease in finance costs of £19.9 million.
- The net decrease in finance charges would have resulted in a corresponding income tax charge, calculated at the prevailing rate within the year ended 31 December 2021 of 19%, of £3.8 million.

(4) Net proceeds from the Equity Issuance

- For the purposes of the unaudited pro forma income statement for the Enlarged Group, it has been assumed that all costs related to the Acquisition apart from those costs incurred in relation to the Debt Financing, are charged against the share premium account. After completion, but ahead of reporting the 30 June 2022 interim results of the Group, the Board will be required to undertake a full assessment of the costs associated with the Acquisition under IAS32 Financial Instruments: Presentation.

(5) Acquisition adjustments

- For the year ended 31 December 2021 the Marley Group included within its profit and loss account an accrued cost relating to the contractual exit fee to the exiting shareholders of the Marley Group plc. The total fee payable to the exiting shareholders is calculated as 2% of the agreed enterprise value relating to Marley Group of £535.0 million, amounting to £10.7 million. Within the year ended 31 December 2021 a charge of £7.8 million was recognised in relation to this exit fee, which has been added back in arriving at the unaudited pro forma income statement for the Enlarged Group.
- A corresponding income tax charge of £1.5 million has been included, calculated using the prevailing rate within the year ended 31 December 2021 of 19%.

(6) No adjustment has been made to the unaudited pro forma income statement to reflect the trading performance of either the Group or the Marley Group since 31 December 2021. Neither has any adjustment been made for any synergies, or related costs which will be incurred post transaction. All the adjustments will have a continuing impact, with the exception of the adjustments in relation to transaction costs and related tax.

Unaudited pro forma net assets statement as at 31 December 2021

	(1) Group As at 31 December 2021	(2) Marley Group As at 31 December 2021	(3) Net proceeds from the Debt Financing	(4) Net proceeds from the Equity Issuance	(5) Acquisition adjustments	Pro forma Enlarged Group As at 31 December 2021
	Note 1 (£000s)	Note 2 (£000s)	Note 3 (£000s)	Note 4 (£000s)	Note 5 (£000s)	(£000s)
Non-current assets						
Plant, property, and equipment	173,931	92,569	—	—	—	266,500
Right-of-use assets	36,445	1,370	—	—	—	37,815
Goodwill	78,514	30,231	—	—	431,054	539,799
Intangible fixed assets	16,490	91,915	—	—	(91,915)	16,490
Employee benefits	25,757	—	—	—	—	25,757
Deferred taxation assets	1,605	—	—	—	—	1,605
Total non-current assets	332,742	216,085	—	—	339,139	887,966
Current assets						
Inventories	107,436	23,813	—	—	—	131,249
Trade and other receivables	111,909	29,340	4,255	—	—	145,504
Assets classified as held for sale	1,860	11,000	—	—	—	12,860
Derivative financial instruments	813	—	—	—	—	813
Cash and cash equivalents	41,212	22,171	205,745	183,863	(400,419)	52,572
Total current assets	263,230	86,324	210,000	183,863	(400,419)	342,998
Total assets	595,972	302,409	210,000	183,863	(61,280)	1,230,964

	(1) Group As at 31 December 2021 Note 1 (£000s)	(2) Marley Group As at 31 December 2021 Note 2 (£000s)	(3) Net proceeds from the Debt Financing Note 3 (£000s)	(4) Net proceeds from the Equity Issuance Note 4 (£000s)	(5) Acquisition adjustments Note 5 (£000s)	Pro forma Enlarged Group As at 31 December 2021 (£000s)
Current liabilities						
Trade and other payables	(138,218)	(44,532)	—	—	—	(182,750)
Corporation tax	(2,198)	(630)	—	—	—	(2,828)
Lease liabilities	(8,545)	(400)	—	—	—	(8,945)
Interest-bearing loans and borrowings	(1,673)	—	—	—	(26,200)	(27,873)
Derivative financial instruments	—	(309)	—	—	—	(309)
Total current liabilities	(150,634)	(45,871)	—	—	(26,200)	(222,705)
Non-current liabilities						
Lease liabilities	(32,776)	(1,152)	—	—	—	(33,928)
Interest-bearing loans and borrowings	(39,341)	(260,932)	(210,000)	—	260,932	(249,341)
Provisions	(839)	—	—	—	—	(839)
Deferred taxation liabilities	(28,065)	(28,194)	—	—	—	(56,259)
Contingent consideration	—	(2,083)	—	—	—	(2,083)
Total non-current liabilities	(101,021)	(292,361)	(210,000)	—	260,932	(342,450)
Total liabilities	(251,655)	(338,232)	(210,000)	—	(234,732)	(565,155)
Net assets/ (liabilities)	344,317	(35,823)	—	183,863	173,452	665,809

Notes:

- (1) The financial information for the unaudited pro forma net asset statement of the Group as presented within column (1) has been extracted, without material adjustment, from the Group's financial information included within the 2021 Annual Report and Accounts as incorporated by reference into Part XIII (*Historical Financial Information of Marshalls plc*) of this document.
- (2) The financial information for the unaudited pro forma net asset statement of the Marley Group as presented within column (2) has been extracted, without material adjustment, from the Historical Financial Information as presented within Part XIV (*Historical Financial Information of the Target*).
- (3) Net proceeds from the Debt Financing
 - The cash and cash equivalents figure represents the gross proceeds of the Debt Financing of £210.0 million less fees classified as prepaid of £4.3 million associated with the Debt Financing, resulting in net proceeds of £205.7 million which will be used to repay existing debt held by the Marley Group.
- (4) Net proceeds from the Equity Issuance
 - The cash and cash equivalents figure represents gross proceeds of the Equity Issuance of £187.4 million less fees associated with the Equity Issuance of £3.5 million, resulting in net proceeds of £183.9 million.
- (5) Acquisition adjustments
 - Total cash raised of £389.6 million from both the Debt Financing of £205.7 million and the Equity Issuance of £183.9 million in addition to cash acquired within the Marley Group of £22.2 million, will be utilised to fully repay the existing debt and other borrowings of the Marley Group of £260.9 million.
 - The total other fees of £25.2 million relating to (1) exiting shareholder fees of £10.7 million and (2) total fees relating to the transaction not directly associated with the Debt Financing and the Equity Issuance of £15.5 million have been included as increases in short term borrowings.

- The consideration and associated goodwill arising from the Acquisition has been calculated with reference to the criteria set out within Part X (*Terms of the Acquisition*), as set out in summary below:

	£'000
Enterprise value/consideration	535,000
Reported Marley Group net liabilities acquired	35,823
Equity adjustments	(231,684)
Pro forma goodwill adjustment	339,139

- The total pro forma goodwill of the Enlarged Group reconciles to the above pro forma goodwill adjustment as follows:

	£'000
Pro forma goodwill adjustment	339,139
Existing Group goodwill	78,514
Existing Marley Group goodwill	30,231
Existing Marley Group intangible fixed assets	91,915
Enlarged Group pro forma goodwill	539,799

- (6) No purchase price allocation assumptions in relation to the value of any acquired intangible assets have been included in this unaudited pro forma statement of net assets. All purchase consideration in excess of the net asset value has therefore been treated as goodwill. After completion, the Board will be required to undertake a fair value exercise of the identifiable assets and liabilities of the acquired business to assess the purchase price for accounting purposes. This fair value exercise may result in adjustments to the carrying value of the Enlarged Group's balance sheet line items.
- (7) No adjustment has been made to the unaudited pro forma net asset statement to reflect the trading performance of the Group or the Marley Group since 31 December 2021.

SECTION B: ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION



Grant Thornton

The Directors

Marshalls plc
Landscape House, Premier Way
Lowfields Business Park
Elland
West Yorkshire
HX5 9HT

7 April 2022

Dear Sir/Madam

Marshalls plc (the Company) and its Subsidiary Undertakings (together the Group) – Report on the Pro Forma Financial Information

We report on the pro forma financial information (the **Pro Forma Financial Information**) set out in Part XVI Section A of the Prospectus.

Opinion

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated; and
- b. such basis is consistent with the accounting policies of the Company.

Responsibilities

It is the responsibility of the directors of the Company (the **Directors**) to prepare the Pro Forma Financial Information in accordance with Annex 20 of the United Kingdom version of Regulation number 2019/980 of the European Commission, which is part of UK law by virtue of the European Union (Withdrawal) Act 2018 (the **PR Regulation**) and as applied by LR 13.3.3R of the Listing Rules of the Financial Conduct Authority (the **Listing Rules**).

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 to the Prospectus Regulation and as applied by LR 13.3.3R of the Listing Rules, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, which we may have to those persons to whom this report is expressly addressed and which we may have to shareholders of the Company as a result of the inclusion of this report in the Prospectus, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Item 1.3 of Annex 3 of the United Kingdom version of Regulation number 2019/980 of the European Commission, which is part of United Kingdom law by virtue of the European Union (Withdrawal) Act 2018 (the **PR Regulation**) and Listing Rule 13.4.1R(6), consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Grant Thornton UK LLP

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Basis of Preparation

The Pro Forma Financial Information has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the acquisition of the Marley Group plc and receipt of the net proceeds of the Equity Issuance and of the Debt Financing might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the Group consolidated financial statements for the period ended 31 December 2021.

This report is required by Section 3 of Annex 20 of the PR Regulation and as applied by LR 13.3.3R of the Listing Rules, and is given for the purpose of complying with that requirement and for no other purpose.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. We are independent of Marshalls plc and Marley Group plc in accordance with relevant ethical requirements, which in the United Kingdom is the Financial Reporting Council's Ethical Standard as applied to Investment Circular Reporting Engagements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Prospectus and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and that the report makes no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Item 1.2 of Annex 3 of the PR Regulation.

Yours faithfully

GRANT THORNTON UK LLP

PART XVII

UNITED KINGDOM TAXATION

1. GENERAL

The following sections are intended only as a general guide to current UK tax law and the published practice of HMRC (which is not a statement of law and which may not be binding on HMRC) as at the date of this document, either of which is subject to change at any time (possibly with retrospective effect). Furthermore, they relate only to certain limited aspects of the UK tax consequences for Shareholders of holding or disposing of New Ordinary Shares (and in the case of section 4 (Stamp Duty and SDRT) of this Part XVII (United Kingdom Taxation), acquiring or subscribing for New Ordinary Shares. Except where expressly stated otherwise, the sections below are intended to apply only to Shareholders: (a) who are for UK tax purposes resident and (in the case of individuals) domiciled or deemed domiciled in (and only in) the UK; (b) to whom split-year treatment does not apply; (c) who are the absolute beneficial owners of their New Ordinary Shares and any dividends paid in respect of them; (d) who hold their New Ordinary Shares as investments (other than through an individual savings account, self-invested personal pension or as carried interest and not as securities to be realised in the course of a trade), and (e) who hold less than 5% of the Ordinary Shares. The sections below may not apply to certain classes of Shareholders such as charities, dealers in securities, trustees, broker dealers, market makers, insurance companies and collective investment schemes, pension schemes, persons subject to UK taxation on the remittance basis, persons who are otherwise exempt from UK taxation and persons who have (or who are deemed to have) acquired their New Ordinary Shares by virtue of an office or employment or persons who are treated as holding their New Ordinary Shares as carried interest. Such shareholders may be subject to special rules.

The material below does not constitute tax advice.

Any person who is in any doubt as to its or their tax position or who is or may be subject to tax in any jurisdiction other than the UK should consult an appropriate professional tax adviser as soon as possible. Investors should be aware that the tax legislation of the investor's jurisdiction and/or the tax legislation of the UK may affect the tax treatment of their participation in the Capital Raising or their acquisition or holding of Consideration Shares, and that the tax laws of their own country and the country in which the Company is incorporated, and the countries in which the Group operates, may affect Shareholders' post-tax income from their Ordinary Shares. A summary of certain UK tax issues is set out below.

2. TAXATION OF CHARGEABLE GAINS

2.1 Open Offer

As a matter of UK tax law, the acquisition of New Ordinary Shares pursuant to the Open Offer may not, strictly speaking, constitute a reorganisation of share capital for the purposes of the UK taxation of chargeable gains. The published practice of HMRC to date has been to treat any subscription of shares by an existing shareholder which is equal to or less than the shareholder's minimum entitlement pursuant to the terms of an open offer as a reorganisation, but it is not certain that HMRC will apply this practice in circumstances where an open offer is not made to all shareholders. HMRC's treatment of the Open Offer cannot therefore be guaranteed and specific confirmation has not been requested in relation to the Open Offer.

To the extent that the acquisition of the New Ordinary Shares pursuant to the Open Offer is regarded as a reorganisation of the Company's share capital for the purposes of the UK taxation of chargeable gains, a Qualifying Shareholder should not be treated as making a disposal of any part of that Qualifying Shareholder's existing holding of Ordinary Shares by reason of taking up all or part of their Open Offer Entitlements. Each Qualifying Shareholder's existing holding of Ordinary Shares and the New Ordinary Shares issued to that Qualifying Shareholder pursuant to the Open Offer will generally be treated as a single asset, acquired at the same time as that Qualifying Shareholder, acquired, or is deemed to have acquired, their holding of Ordinary Shares. The amount of subscription monies paid for the New Ordinary Shares will be added to the base cost of that Qualifying Shareholder's existing holding of Ordinary Shares.

To the extent that a Qualifying Shareholder takes up New Ordinary Shares in excess of their Open Offer Entitlements, pursuant to the Excess Application Facility, this should not constitute a reorganisation of the Company's share capital for the purposes of the UK taxation of chargeable gains and the treatment described below will apply to such New Ordinary Shares.

If, or to the extent that, the acquisition of New Ordinary Shares under the Open Offer is not regarded as a reorganisation of the Company's share capital, the New Ordinary Shares acquired by each Qualifying Shareholder under the Open Offer will, for the purposes of the UK taxation of chargeable gains, be treated as a separate acquisition of Ordinary Shares and the price paid will constitute their base cost. For both corporate and individual shareholders, the Open Offer Shares should be pooled with the shareholder's existing holding of Ordinary Shares and the share identification rules will apply on a future disposal.

2.2 Firm Placing

The issue of Firm Placing Shares to Firm Placees pursuant to the Firm Placing will not be regarded as a reorganisation of the Company's share capital for the purposes of UK taxation of chargeable gains. Accordingly such an acquisition of New Ordinary Shares will instead be treated as a separate acquisition of Ordinary Shares.

2.3 Placing

Similarly, the issue of New Ordinary Shares to Conditional Placees pursuant to the Placing will not constitute a reorganisation of the Company's share capital for the purposes of the UK taxation of chargeable gains and, accordingly, any acquisition of New Ordinary Shares by a Conditional Placee pursuant to the Placing will be treated as a separate acquisition of Ordinary Shares.

2.4 Subsequent disposals of Ordinary Shares

(A) UK resident individual Shareholders

For UK individual shareholders within the charge to UK capital gains tax, a disposal or deemed disposal of Ordinary Shares may, depending on the circumstances and subject to any available exemption or relief, give rise to a chargeable gain (or an allowable loss) for the purposes of UK capital gains tax. A capital gains tax annual exemption (which is £12,300 for individuals in the 2021/2022 and 2022/2023 tax years) may, however, be available to the extent it has not already been utilised by the individual.

The rate of capital gains tax on share disposals (after taking advantage of the annual exemption and deducting any allowable capital losses) is currently 10% to the extent that individuals are subject to income tax at the basic rate and any chargeable gain does not exceed the unused part of their basic rate income tax band. Where an individual is subject to income tax at the basic rate but any chargeable gain exceeds the unused part of their basic rate income tax band, the rate of capital gains tax on the excess is 20%. The rate of capital gains tax is also 20% for individuals who are subject to income tax at the higher or additional rates.

Individuals who are temporarily not resident in the UK may, in certain circumstances, be subject to tax in respect of gains realised while they are not resident in the UK. An individual Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as non-resident pursuant to a relevant double tax treaty for a period of five years or less and who disposes of all or part of his or her Ordinary Shares during that period of non-residence may be liable to capital gains tax in respect of such disposal on his or her return to the UK (such that the individual Shareholder becomes UK tax resident), subject to any available exemptions or reliefs.

(B) UK resident corporate Shareholders

Where a corporate Shareholder is within the charge to UK corporation tax, a disposal of Ordinary Shares may, depending on the circumstances and subject to any available exemption or relief, give rise to a chargeable gain for the purposes of corporation tax at the rate of corporation tax applicable to that Shareholder (the current main rate of

corporation tax being 19 per cent for companies) or an allowable loss. The main rate of UK corporation tax is due to increase to 25 per cent. from 1 April 2023.

3. TAXATION OF DIVIDENDS

The Company is not required to withhold tax at source from dividend payments it makes.

3.1 Individual Shareholders within the charge to UK income tax

The general tax treatment of dividends paid by the Company to Shareholders who are individuals is as follows:

- dividends received by an individual Shareholder from the Company (or from other sources) will, except to the extent that they are earned through an individual savings account, self-invested personal pension plan or other regime which exempts the dividends from tax, form part of that Shareholder's total income for income tax purposes;
- a nil rate of income tax applies to the first £2000 of taxable dividend income received by an individual Shareholder in a tax year (the "**Nil Rate Amount**"), regardless of what tax rate would otherwise apply to that dividend income; and
- any taxable dividend income received by an individual Shareholder in a tax year in excess of the Nil Rate Amount is taxed at the rates set out below.

Where an individual Shareholder's taxable dividend income for a tax year exceeds the Nil Rate Amount, the excess amount (the "**Relevant Dividend Income**") will, subject to the availability of any income tax personal allowance, be subject to income tax at the following rates for the 2021/2022 tax year:

- 7.5 per cent., to the extent that the Relevant Dividend Income falls below the threshold for the higher rate of income tax;
- 32.5 per cent., to the extent that the Relevant Dividend Income falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and
- 38.1 per cent., to the extent that the Relevant Dividend Income falls above the threshold for the additional rate of income tax.

Each of the above rates of income tax on dividends will increase by 1.25 per cent. for the 2022/2023 tax year and subsequent tax years.

In determining whether and, if so, to what extent the Relevant Dividend Income falls above or below the threshold for the higher rate of income tax or, as the case may be, the additional rate of income tax, the Shareholder's total taxable dividend income for the tax year in question (including the part within the Nil Rate Amount) will be treated as the highest part of the Shareholder's total income for income tax purposes.

3.2 Corporate Shareholders within the charge to UK corporation tax

Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of UK taxation of dividends) will not generally be subject to UK corporation tax on dividends from the Company, provided certain conditions are met.

Other Shareholders within the charge to UK corporation tax will not be subject to UK corporation tax on dividends from the Company so long as the dividends fall within an exempt class and certain conditions are met. In general: (a) dividends paid on ordinary shares that are non-redeemable shares and that do not carry any present or future preferential rights to dividends or to the company's assets on its winding up; and (b) dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or, if there is more than one class of share, the same class of that share capital in respect of which the dividend is paid) and who is entitled to less than 10 per cent. of the profits available for distribution to holders of the same class of share and would be entitled to less than 10 per cent. of the assets available for distribution to

holders of the same class of shares on a winding-up, are examples of dividends that should fall within an exempt class. However, these exemptions are not comprehensive and are subject to certain targeted and general anti-avoidance rules.

4. STAMP DUTY AND SDRT

The following statements are intended as a general and non-exhaustive guide to the current UK stamp duty and Stamp Duty Reserve Tax (“**SDRT**”) position and apply regardless of whether or not a holder, acquirer or subscriber of New Ordinary Shares is resident in the UK. Certain categories of person, including market makers, intermediaries, brokers, dealers and persons connected with clearance services and depositary receipt systems, may not be liable to stamp duty or SDRT or may be liable at a higher rate. Furthermore, such persons may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

4.1 Issue of New Ordinary Shares and issue or crediting of New Ordinary Shares

No stamp duty or SDRT is generally payable on the issue of New Ordinary Shares by the Company (whether in certificated form outside CREST or credited in uncertificated form to an account in CREST).

4.2 Subsequent dealings in New Ordinary Shares

Except in relation to depositary receipt systems and clearance services (to which the special rules outlined below apply), a subsequent transfer of New Ordinary Shares will generally be subject to UK stamp duty or SDRT in the normal way. Subject to any applicable exemptions, including an exemption for certain low value transactions, the transfer on sale of New Ordinary Shares effected outside CREST will generally be liable to stamp duty at the rate of 0.5% of the amount or value of the consideration payable (rounded up to the nearest multiple of £5) or, if an unconditional agreement to transfer the New Ordinary Shares is made, whether or not the transfer is effected in CREST, SDRT at the rate of 0.5% of the amount or value of the consideration payable. Where a transfer is, however, executed in pursuance of the agreement (which gave rise to the SDRT) and the document is duly stamped within 6 years of the date of the agreement, the SDRT should be cancelled and any SDRT paid should be repaid.

Stamp duty or SDRT is usually paid or borne by the purchaser.

In cases where New Ordinary Shares are transferred to a connected company (or its nominee), stamp duty or SDRT may be chargeable on the higher of: (a) the amount or value of the consideration payable; and (b) the market value of the New Ordinary Shares, subject to any relief which may be available for intragroup transfers.

4.3 Depositary receipt systems and clearance services

Following the decision of the European Court of Justice in HSBC Holdings and Vidacos Nominees (Case 569/07) and the First-tier Tax Tribunal decision in HSBC Holdings and The Bank of New York Mellon, HMRC has confirmed that 1.5 per cent. SDRT is no longer payable when new shares are issued into a clearance service or depositary receipt service. HMRC have confirmed that this remains the position under the terms of the EUWA 2018 following the end of the transition period unless the stamp taxes on shares legislation is amended.

Where New Ordinary Shares are transferred to, or to a nominee or an agent for, a depositary receipt system or a clearance system, stamp duty or SDRT will generally be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the New Ordinary Shares.

There is an exception from the 1.5 per cent. charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer will arise.

Any liability for stamp duty or SDRT in respect of a transfer into a clearance service or depositary receipt system, or in respect of a transfer within such a service, which does arise will strictly be accountable by the clearance service or depositary receipt system operator or their nominee, as the case may be, but generally, in practice, will be reimbursed by participants in the clearance service or depositary receipt system.

PART XVIII

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors, whose names appear on page 205 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

2. INCORPORATION AND ACTIVITY OF THE COMPANY

The Company was incorporated in England and Wales on 13 April 2004 as a private limited company under the name Ever 2338 Limited with registered number 05100353. On 30 April 2004, the Company changed its name from Ever 2338 Limited to Marshalls Group Limited. On 5 May 2004, the Company re-registered as a public limited company and changed its name to Marshalls Group plc, before changing its name on 8 July 2004 to Marshalls plc. The legal entity identifier of the Company is 213800S21IFC367J5V62. The principal activity of the Company is to act as the ultimate holding company of the Group.

The Company is domiciled in England and Wales with its registered and head office at Landscape House, Premier Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9HT. The telephone number of the Company's registered office is +44 (0)1422 312000. The Company's website is <https://www.marshalls.co.uk/> (please note that, without limitation, the contents of the Company's or members of the Enlarged Group's websites do not form part of this document (including the contents of any websites accessible from the hyperlinks of such websites), other than the information set out in Part XIX (*Documents Incorporated by Reference*)).

The principal legislation under which the Company operates, and pursuant to which the New Ordinary Shares will be created, is the Companies Acts.

3. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the share capital of the Company was £50,013,039, comprised of 200,052,157 Existing Ordinary Shares of 25 pence each, all of which were fully paid or credited as fully paid. The Existing Ordinary Shares are listed on the premium listing segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.

As at the Latest Practicable Date, the Company held no Existing Ordinary Shares in treasury.

4. RESOLUTIONS, AUTHORISATIONS AND APPROVALS RELATING TO THE EQUITY ISSUANCE

At the General Meeting, Shareholders will be asked to consider and vote on the Resolution, further details of which are set out in section 1 of Part VII (*Letter from the Chair of Marshalls plc*) of this document.

5. INFORMATION ON THE NEW ORDINARY SHARES

5.1 Description and type of securities

The issued and fully paid share capital of the Company immediately following the issue of the 24,092,457 Consideration Shares and completion of the Capital Raising, assuming that the maximum number of New Ordinary Shares is issued and that no Ordinary Shares are issued as a result of the exercise of any options between the Latest Practicable Date and the completion of the Capital Raising, is expected to be as follows:

	Number	Aggregate nominal value (£)
Ordinary Shares	252,968,728	63,242,182

The Company remains subject to the provisions of section 561 of the Companies Act 2006 (which confer on Shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash) apply to the issue of Ordinary Shares by the Company which are not within a disapplication approved by Shareholders in a general meeting of the Company.

The Company expects to issue 24,092,457 New Ordinary Shares as Consideration Shares pursuant to the Acquisition, 13,435,487 New Ordinary Shares pursuant to the Firm Placing, 15,388,627 New Ordinary Shares pursuant to the Placing and Open Offer. In total, the Company expects to issue 52,916,571 New Ordinary Shares in the Equity Issuance.

The Equity Issuance is expected to result in 52,916,571 New Ordinary Shares being issued and the number of Ordinary Shares being increased from a total of 200,052,157 Ordinary Shares to a total of 252,968,728 Ordinary Shares, representing an increase of 26.5%.

If a Qualifying Shareholder (who is not a Firm Placee or a Conditional Placee) does not take up any of their Open Offer Entitlements or Excess Open Offer Entitlements, such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 20.9 per cent. as a result of the Equity Issuance.

If a Qualifying Shareholder (who is not a Firm Placee or a Conditional Placee) takes up their Open Offer Entitlements in full (assuming he or she does not participate in the Excess Application Facility), such Qualifying Shareholder's holding, as a percentage of the Enlarged Share Capital, will be diluted by 14.8 per cent. as a result of the issue of the Equity Issuance.

The New Ordinary Shares will be fully paid ordinary shares with a nominal value of 25 pence each in the capital of the Company. On Admission, the New Ordinary Shares will be registered with an ISIN of GB00B012BV22 and a SEDOL of B012BV2.

The New Ordinary Shares will be freely transferable and there will be no restrictions on the transfer of New Ordinary Shares in the UK.

All New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Ordinary Shares. The New Ordinary Shares do not carry any rights to participate in a distribution of capital (including on a winding-up) other than those that exist as a matter of law.

On a show of hands at general meetings of the Company, every Shareholder who is present in person and every person holding a valid proxy shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per New Ordinary Share.

5.2 Form and currency of the New Ordinary Shares

The New Ordinary Shares will be in registered form and will be capable of being held in certificated and uncertificated form. The Registrar of the Company is Computershare Investor Services PLC.

The New Ordinary Shares are, and on Admission will be, denominated in pounds sterling.

Title to the certificated New Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated New Ordinary Shares will be evidenced by entry in the operator register maintained by Computershare Investor Services PLC (which will form part of the register of members of the Company).

No share certificates will be issued in respect of New Ordinary Shares in uncertificated form. No temporary documents of title have been or will be issued in respect of the New Ordinary Shares.

It is currently anticipated that the New Ordinary Shares will be eligible to join CREST, the computerised, paperless system for settlement of sales and purchases of shares in the London securities market, with effect immediately upon Admission and the commencement of dealings on the London Stock Exchange.

5.3 Rights attached to the New Ordinary Shares

The Articles of Association are available for inspection at the address specified in section 21 of this Part XVIII (*Additional Information*).

The Articles of Association contain provisions, amongst others, to the following effect:

(A) Share rights

Subject to other Shareholders' rights, shares may be issued with such rights or restrictions as the Company may by ordinary resolution determine or (if the Company has not so determined) as the Board may determine. Redeemable shares may be issued.

There is no right of conversion or redemption attached to the New Ordinary Shares.

The New Ordinary Shares will be in registered form and are capable of being held in uncertificated form.

(B) Dividend rights

Subject to the applicable law, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board.

All New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Ordinary Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Ordinary Shares.

The Board may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. If the Board acts in good faith, they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

Except as otherwise provided by the Articles or the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for dividend accordingly. In any other case, dividends shall be apportioned and paid proportionately to the amounts paid up. No account is to be taken of any amount which has been paid up on a share in advance of the due date for payment of that amount.

Unless the rights attached to any shares, or the terms of any shares, say otherwise, no dividend or other monies payable on or in respect of a share shall bear interest as against the Company.

Any dividend which has remained unclaimed for 12 years from the date when it became due for payment shall, unless the Board resolve otherwise, be forfeited and cease to remain owing by the Company.

(C) Voting rights

Every Shareholder who (being an individual) is present in person or by proxy or every corporate representative present who has been duly authorised by a corporation shall have one vote and on a poll every Shareholder present in person or by representative or by proxy shall have one vote for every New Ordinary Share in the capital of the Company held by them.

Where there are joint Shareholders, any one of them may vote at a meeting either personally or by proxy in respect of the share as if they were solely entitled to it, but if more than one joint Shareholder is present, the one of them whose name appears first in the register of members in respect of the share shall alone be entitled to vote, to the exclusion of the votes of the other joint Shareholders.

(D) **Restrictions**

No Shareholder shall have the right to vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by proxy, in respect of any share held by them unless all amounts presently payable by them in respect of that share have been paid.

(E) **Pre-emption rights**

There are no pre-emption rights under the Articles in respect of transfers of Ordinary Shares. In certain circumstances, Shareholders may have statutory pre-emption rights as provided for by the Companies Acts (save to the extent not previously disallowed by Shareholders). These statutory pre-emption rights would require the Company to offer new shares for allotment for cash to existing Shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to Shareholders of the Company.

(F) **Capitalisation of reserves or profits**

The Board may with the authority of an ordinary resolution of the Company capitalise any profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of any reserve or fund of the Company (including any share premium account, capital redemption reserve, merger reserve or revaluation reserve). The Board will appropriate the capitalised sum to the holders of Ordinary Shares in the same proportion as their entitlement to dividends.

(G) **Return of capital**

On a winding-up, the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the Shareholders the assets of the Company available for distribution. No Shareholder shall be compelled to accept any assets upon which there is a liability.

6. EXISTING SHAREHOLDER AUTHORITIES

The following resolutions were passed by Shareholders at the 2021 Annual General Meeting on 12 May 2021:

1. That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company ("Rights"):

(a) up to an aggregate nominal amount of £16,671,013, representing approximately one-third of the current issued share capital of the Company; and

(b) up to a further aggregate nominal amount of £16,671,013, representing approximately one-third of the current issued share capital of the Company provided that:

(i) they are equity securities (within the meaning of Section 560(1) of the Companies Act 2006); and

(ii) they are offered by way of a rights issue to holders of Ordinary Shares on the Register of Members at such record date as the Directors may determine, where the equity securities respectively attributable to the interests of the Ordinary Shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held, or deemed held, by them on such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory authority or stock exchange or by virtue of shares being represented by depositary receipts or any other matter,

and provided that such authority shall expire at the conclusion of the 2022 Annual General Meeting (or, if earlier, at the close of business on 11 August 2022), save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry, and the Directors may allot shares and grant Rights in pursuance of such offer or agreement as if the authority conferred by this Resolution had not expired;

2. That, subject to the passing of Resolution 1 above, the Directors be and are hereby empowered pursuant to Section 570 and Section 573 of the Companies Act 2006 to allot equity securities (as defined in Section 560 of the Companies Act 2006) for cash pursuant to the general authority conferred by Resolution 1 or by way of a sale of treasury shares as if Section 561(1) of the Companies Act 2006 did not apply to such allotment or sale, provided that this power shall be limited to:

- (a) the allotment of equity securities and the sale of treasury shares in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of Resolution 1 by way of rights issue only) in favour of the holders of Ordinary Shares on the Register of Members at such record date(s) as the Directors may determine where the equity securities respectively attributable to the interests of the Ordinary Shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held or deemed to be held by them on any such record date(s), subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter; and
- (b) (otherwise than pursuant to paragraph (a) of this Resolution 2) to any person or persons up to an aggregate nominal amount of £2,500,652 (representing no more than 5 per cent of issued Ordinary Share capital at the date of this Notice of Annual General Meeting),

and such power shall expire at the conclusion of the 2022 Annual General Meeting of the Company (or, if earlier, at the close of business on 11 August 2022), but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry, and the Directors may allot equity securities or sell treasury shares in pursuance of such offer or agreement as if the power conferred by this Resolution had not expired; and

3. That, subject to the passing of Resolution 1, the Directors be authorised in addition to any authority granted under subparagraph (b) of Resolution 2 to allot equity securities for cash pursuant to the general authority conferred by Resolution 11 or by way of a sale of treasury shares as if Section 561(1) of the Companies Act 2006 did not apply to such allotment or sale, provided that this power shall be:

- (a) limited to the allotment of equity securities and the sale of treasury shares up to an aggregate nominal amount of £2,500,652 (representing no more than 5 per cent of issued Ordinary Share capital at the date of this Notice of Annual General Meeting); and
- (b) used only for the purposes of financing (or refinancing, if the authority is used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Pre-Emption Group's Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice,

and such power shall expire at the conclusion of the 2022 Annual General Meeting of the Company (or, if earlier, at the close of business on 11 August 2022), but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry, and the Directors may allot equity securities or sell treasury shares in pursuance of such offer or agreement as if the power conferred by this Resolution had not expired.

7. MAJOR SHAREHOLDERS

As at the Latest Practicable Date, the following persons were, directly or indirectly, interested in at least 3 per cent of the Existing Ordinary Shares, as notified to the Company in accordance with Rule 5 of the Disclosure Guidance and Transparency Rules. Their proportionate ownership of the Enlarged Share Capital immediately following the Equity Issuance is also set out below, assuming: (i) 52,916,571 New Ordinary Shares are issued pursuant to the Equity Issuance; (ii) that all Qualifying Shareholders take up their Open Offer Entitlements in full; and (iii) that no additional Ordinary Shares are issued by the Company between the date of this document and Admission of the New Ordinary Shares:

	Shares beneficially held as at the Latest Practicable Date		Shares beneficially held immediately following the Equity Issuance	
	No.	%	No.	%
abrdn	32,486,153	16.2	36,853,906	14.6
BlackRock	13,524,207	6.8	13,613,110	5.4
Montanaro Investment Managers	10,275,000	5.1	12,500,000	4.9
Vanguard Group	8,670,831	4.3	8,670,831	3.4
AXA Framlington Investment	8,531,123	4.3	9,158,446	3.6
JP Morgan Asset Management	8,440,321	4.2	8,440,321	3.3
Royal London Asset Management	8,340,563	4.2	10,582,506	4.2
Lansdowne Partners	7,967,916	4.0	8,537,916	3.4
Legal and General Investment Management	7,073,244	3.5	7,742,138	3.1
Redwheel	6,779,659	3.4	6,994,983	2.8

None of the Company's Shareholders listed above have any different voting rights from any other Shareholder.

As at the Latest Practicable Date, the Company was not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.

As at the Latest Practicable Date, the Company was not aware of any arrangements, the operation of which may at a subsequent date result in a change of control to the Company.

No person involved in the Equity Issuance has an interest which is material to the Equity Issuance.

8. DIRECTORS AND SENIOR MANAGEMENT

8.1 List of Directors

The Directors and their principal functions within the Company, together with a brief description of their management experience and expertise and principal business activities outside the Company, are set out below. The business address of each of the Directors (in such capacity) is Landscape House, Premier Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9HT.

Name	Position
Vanda Murray OBE	Chair
Martyn Coffey	Chief Executive
Justin Lockwood	Chief Financial Officer
Simon Bourne	Chief Operating Officer
Graham Prothero	Senior Independent Non-Executive Director
Tim Pile	Independent Non-Executive Director
Angela Bromfield	Independent Non-Executive Director
Avis Darzins	Independent Non-Executive Director

(A) Vanda Murray OBE

Vanda Murray OBE was appointed as Non-Executive Director and Chair in May 2018, and was last re-elected in May 2021. Vanda is a fellow of the Chartered Institute of Marketing with extensive experience of corporate leadership in both executive and non-executive roles with a wide range of UK and international businesses. Vanda's previous executive

roles include Chief Executive of Blick plc from 2001 until its successful sale to Stanley Works Inc in 2004 and Managing Director of Ultraframe plc between 2004 and 2006.

(B) **Martyn Coffey**

Martyn Coffey joined the Company and was appointed to the Board in September 2013. He was last re-elected in May 2021. Martyn has wide executive leadership experience: he was previously Divisional Chief Executive Officer of BDR Thermea Group BV, a leading manufacturer and distributor of domestic and industrial heating and hot water systems operating in 70 countries and with a turnover of €1.8 billion, formed in 2009 from the merger of Baxi and De Dietrich Remeha. Prior to the merger, Martyn was Chief Executive of the private equity-owned Baxi Group. He also held the position of Managing Director of Pirelli Cables where he spent 14 years in the UK, Australia and North America.

(C) **Justin Lockwood**

Justin Lockwood joined the Company and was appointed to the Board in July 2021. Justin has extensive leadership and financial management experience. He was appointed Chief Financial Officer of International Personal Finance plc in 2017, prior to which he held a number of senior finance roles. Justin also worked for Associated British Ports for four years in a senior finance role. His first role in industry was with Marshalls between 2002 and 2006, where he worked in a variety of business unit and head office roles. Justin is a chartered accountant, having qualified and worked for PwC during first 10 years of his career.

(D) **Simon Bourne**

Simon Bourne was appointed to the Board as Chief Operating Officer with effect from 1 April 2022. Simon joined the Company in June 2015 as Manufacturing Director and was subsequently appointed as Group Operations Director in September 2017. Prior to joining Marshalls, Simon held a number of senior operational and supply chain roles across various sectors both in a plc and private equity environment. Simon is a key member of the executive team and holds responsibility for product manufacturing and operations across the Group.

(E) **Graham Prothero**

Graham Prothero was appointed as Non-Executive Director in May 2017, and was last re-elected in May 2021. Graham is a Chartered Accountant and spent 7 years as a partner in the Real Estate, Hospitality and Construction Group of Ernst & Young LLP. He has extensive senior management experience in the sector, including with leading property developer Development Securities PLC (now U+I), Taylor Woodrow, the listed contractor / developer, and Blue Circle Industries plc. Graham is also on the board of the Jigsaw Trust, a charitable trust.

(F) **Tim Pile**

Tim Pile was appointed as Non-Executive Director in October 2010, and was last re-elected in May 2021. In spite of his length of service, the Nomination Committee considered Tim Pile to be independent in thought and judgement. Tim has held leadership roles in a number of different industries, such as banking, retail, marketing and consumer goods, as well as in the charity and public sectors for organisations big and small. Tim was formerly the Chair of Cogent Elliott, President of the Greater Birmingham Chambers of Commerce, CEO of Sainsbury's Bank and a member of the operating board and Non-Executive Director at Cancer Research UK.

(G) **Angela Bromfield**

Angela Bromfield was appointed as Non-Executive Director in October 2019, and was elected in May 2021. Angela has a broad based international career in manufacturing, distribution and construction and extensive commercial strategy, marketing and

communications executive experience. She was previously the Strategic Marketing and Communications Director at Morgan Sindall plc (now Morgan Sindall Construction & Infrastructure Ltd) until 2013 and prior to that held senior roles at the Tarmac Group, Premier Farnell plc and ICI plc.

(H) **Avis Darzins**

Avis Darzins was appointed as Non-Executive Director on 1 June 2021. Avis is currently a management consultant with expertise in retail business change, digital channel expansions and transformation. She was formerly a Partner at Accenture focusing on the retail and consumer products sector. Avis has delivered successful profitable growth engagements with many well-known national and international brands and has worked in leadership roles at Arcadia, BHS, Mothercare and Littlewoods, as well as working as the Director of Business Transformation at Sky. Avis is also a Non-Executive Director on the board of Grafton Group PLC, and a Senior Independent Trustee for Barnardo's.

8.2 List of Senior Managers

The senior managers of the Company, in addition to the Company's Chief Executive, Chief Financial Officer and Chief Operating Officer, are set out below (the "**Senior Managers**"). The business address of each of the Senior Managers (in such capacity) is Landscape House, Premier Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9HT.

Name	Position
Pete Hallitt	Group Trading Director
Ian Dean	Group Director of Emerging Businesses
Jochen Clockaerts	Managing Director, Marshalls NV
Louise Furness	Group HR Director
Chris Harrop OBE	Group Sustainability Director
Shiv Sibal	General Counsel & Group Company Secretary
Adil Jan	Chief Information Officer

8.3 Directorships and partnerships outside of the Group

The details of those companies and partnerships outside the Group of which the Directors and Senior Managers are currently directors or partners, or have been directors or partners at any time during the five (5) years prior to the publication of this document, are as follows:

Name	Current directorships and partnerships	Previous directorships and partnerships in the last 5 years
Vanda Murray OBE	Directors Yorkshire Water Services Limited: Non-Executive Director and Chair Bunzl plc: Senior Independent Non-Executive Director and Chair of the Remuneration Committee Manchester Airports Group: Non-Executive Director and Chair of the Remuneration and CSR Committees Kelda Eurobond Co Limited: Non-Executive Director The Growth Company Limited: Non-Executive Director	MGF Limited: Non-Executive Director Just Childcare Holdings Limited: Non-Executive Director Redrow plc: Non-Executive Director Fenner Group Holdings Limited: Non-Executive Director Exova Group Limited: Non-Executive Director

Name	Current directorships and partnerships	Previous directorships and partnerships in the last 5 years
Martyn Coffey	<p>Mineral Products Association: Director</p> <p>Eurocell plc: Non-Executive Director and Chair of the Remuneration Committee</p>	None
Justin Lockwood	None	<p>International Personal Finance plc: Director</p> <p>IPF Holdings Limited: Director</p>
Simon Bourne	None	<p>The ACA Trustee Company Limited: Director</p>
Graham Prothero	<p>Vistry Group plc: Chief Operating Officer</p> <p>Vistry Homes Limited: Director</p> <p>Linden Limited: Director</p> <p>Linden Holdings Limited: Director</p> <p>Vistry Linden Limited: Director</p> <p>Vistry Partnerships Limited: Partner</p>	<p>Galliford Try Limited: Director</p> <p>Galliford Try Services Limited: Director</p> <p>Galliford Try Construction and Investments Holdings Limited: Director</p>
Tim Pile	Royal Orthopaedic Hospital NHS Foundation Trust: Chair	<p>Greater Birmingham and Solihull LEP: Chair</p> <p>Greater Birmingham Chambers of Commerce: Non-Executive Director</p>
Angela Bromfield	<p>Churchill China plc: Non-Executive Director and Chair of the Remuneration Committee</p> <p>Harworth Group plc: Non-Executive Director and Chair of the Remuneration and ESG Committees</p> <p>Newton Green Consulting Limited: Director</p>	<p>Zotefoams plc: Non-Executive Director</p>
Avis Darzins	<p>Ambassadors Group of retailTRUST: Co-Chair</p> <p>Barnardo's: Senior Independent Trustee and Trustee Board member</p> <p>Avis Business Consulting Limited: Director</p> <p>Avis D Consulting Limited: Director</p> <p>Grafton Group plc: Non-Executive Director</p>	<p>Moss Bros Group plc: Non-Executive Director</p> <p>Retail Trust: Trustee</p> <p>RT Wellbeing Services Limited: Trustee</p>

Name	Current directorships and partnerships	Previous directorships and partnerships in the last 5 years
	Senior Managers	
Pete Hallitt	None	None
Ian Dean	None	None
Jochen Clockaerts	Drievierde Bvba : Director	None
Louise Furness	None	None
Chris Harrop OBE	Made in Britain : Chair Fairtax Foundation : Non-Executive Director	Ethical Trading Initiative : Director
Shiv Sibal	None	None
Adil Jan	None	Consilium Consult Limited : Director

8.4 Conflicts of interest

Save for their capacities as persons legally and beneficially interested in Ordinary Shares, there are:

- (A) no actual or potential conflicts of interest between the duties owed by the Directors or the Senior Managers to the Company and their private interests and/or other duties that they may also have; and
- (B) no arrangements or understandings with major Shareholders, customers, suppliers or others, pursuant to which any Director or Senior Manager was selected as a member of the administrative, management or supervisory bodies or member of senior management.

Each of the Directors has a statutory duty under the Companies Acts to avoid conflicts of interests with the Company and to disclose the nature and extent of any such interest to the Board. Under the Articles of Association and, as permitted by the Companies Acts, the Board may authorise any matter which would otherwise involve a Director breaching this duty to avoid conflicts of interest and may attach to any such authorisation such conditions and/ or restrictions as the Board deems appropriate (including in respect of the receipt of information or restrictions on participation at certain Board meetings), in accordance with the Articles of Association.

Each Director who holds Existing Ordinary Shares has agreed not to transfer or otherwise dispose of his or her interest in their Existing Ordinary Shares until the earlier of (i) completion of the Acquisition or (ii) termination of the Share Purchase Agreement in accordance with its terms.

8.5 Directors' and Senior Managers' confirmations

- (A) As at the date of this document, no Director or Senior Manager has during the last five years:
 - (i) had any convictions in relation to fraudulent offences;
 - (ii) (save as disclosed in paragraph (B) below) been associated with any bankruptcy, receivership, liquidation or companies put into administration while acting in the capacity of a member of the administrative, management or supervisory body or of a senior manager of any company;
 - (iii) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
 - (iv) been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting in the management or conduct of the affairs of any company.

- (B) As at the date of this document, Avis Darzins is the director of Avis D Consulting Limited, a private limited company incorporated in England on 6 August 2013, which is in voluntary liquidation.
- (C) No Director or Senior Manager was selected to act in such capacity pursuant to any arrangement or understanding with any shareholder, consumer, supplier or any other person having a business connection with the Group.
- (D) There are no family relationships between any of the Directors and/or the Senior Managers.
- (E) There are no outstanding loans or guarantees granted or provided by any member of the Group for the benefit of any of the Directors or Senior Managers.

8.6 Directors' and Senior Managers' Interests in the Ordinary Shares

As at the Latest Practicable Date, the interests (all of which are or will be beneficial unless otherwise stated) of the Directors and Senior Managers, and persons closely associated with them, in the Ordinary Shares are set out in the following table. Their proportionate ownership of the Enlarged Share Capital immediately following the Equity Issuance is also set out below, assuming: (i) 52,916,571 New Ordinary Shares are issued pursuant to the Equity Issuance; (ii) that all Qualifying Shareholders take up their Open Offer Entitlements in full; and (iii) that no additional Ordinary Shares are issued by the Company between the date of this document and Admission of the New Ordinary Shares:

Director	Shares beneficially held as at the Latest Practicable Date		Shares beneficially held immediately following the Equity Issuance	
	No.	%	No.	%
Vanda Murray OBE	22,000	0.0	23,692	0.0
Martyn Coffey	306,699	0.2	330,291	0.0
Justin Lockwood	5,000	0.0	13,076	0.0
Simon Bourne	16,669	0.0	17,951	0.0
Graham Prothero	2,417	0.0	2,602	0.0
Tim Pile	40,840	0.0	43,981	0.0
Angela Bromfield	3,000	0.0	3,230	0.0
Avis Darzins	3,925	0.0	4,226	0.0

Senior Manager	Shares beneficially held as at the Latest Practicable Date		Shares beneficially held immediately following the Equity Issuance	
	No.	%	No.	%
Pete Hallitt	107,463	0.054	107,463	0.0
Ian Dean	44	0	44	0.0
Jochen Clockaerts	3,838	0.001	3,838	0.0
Louise Furness	5,826	0.003	5,826	0.0
Chris Harrop OBE	59,149	0.030	59,149	0.0
Shiv Sibal	6,900	0.003	6,900	0.0
Adil Jan	0	0	0	0.0

8.7 Directors' and Senior Managers' Interests in the Ordinary Shares pursuant to the Share Plans

In addition to their interests as detailed above, as at the Latest Practicable Date, the Directors and Senior Managers held the following options in respect of Ordinary Shares under the terms of the Share Plans:

Director	Options in respect of Ordinary Shares as at the Latest Practicable Date	Senior Manager	Options in respect of Ordinary Shares as at the Latest Practicable Date
Vanda Murray OBE	0	Pete Hallitt	70,599
Martyn Coffey	234,079	Ian Dean	23,271
Justin Lockwood	52,919	Jochen Clockaerts	17,007
Simon Bourne	60,742	Louise Furness	50,225
Graham Prothero	0	Chris Harrop OBE	40,281
Tim Pile	0	Shiv Sibal	22,384
Angela Bromfield	0	Adil Jan	0
Avis Darzins	0		

8.8 Directors' Service Agreements and Letters of Appointment

In accordance with the Company's policy, Executive Directors' service contracts do not contain liquidated damages clauses, nor any contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement or providing for compensation for loss of office or employment that occurs because of a takeover bid. The maximum notice period for an Executive Director is 12 months. Executive Directors are permitted to hold one external plc board appointment and may retain any remuneration received in that capacity.

Non-Executive Directors, including the Chair, are appointed under letters of appointment, usually for a term of three years. Either the Company or the Non-Executive Director may terminate the appointment before the end of the current term on six months' notice. If the unexpired term is less than six months, notice does not need to be served. No compensation is payable if a Non-Executive Director is required to stand down. All Directors are subject to annual re-election.

9. KEY INDIVIDUALS OF THE TARGET

The key individuals that are important to the business of the Target are:

- (A) David Speakman (Chief Executive Officer);
- (B) Dominic Heaton (Chief Financial Officer); and
- (C) Paul Reed (Chief Operating Officer).

10. AUDITOR

The auditor of the Company since May 2015 has been Deloitte LLP of New Street Square London EC4A 3HQ. Deloitte LLP is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales and has no material interest in the Company or the Group.

11. RELATED PARTY TRANSACTIONS

Other than the participations in the Capital Raising by abrdn and the Directors described in section 9 of Part VII (*Letter from the Chair of Marshalls plc*), no member of the Group entered into any related party transactions (which for these purposes are those set out in the standards adopted according to the Regulation (EC) No 1606/2002) between 31 December 2021 and the Latest Practicable Date.

12. MATERIAL CONTRACTS

12.1 Material Contracts of the Group

The contracts listed below have been entered into by the Company or another member of the Group: (i) within the two years immediately preceding publication of this document which are material to the Company or any member of the Group, or (ii) at any time and contain any provision under which the Company or any member of the Group has any obligation or entitlement which is material to the Company or any member of the Group as at the date of this document, in each case not including contracts entered into in the ordinary course of business.

(A) Share Purchase Agreement

On 6 April 2022, the Company, Marshalls Group Limited and the Sellers entered into the Share Purchase Agreement in respect of the Acquisition, and certain members of the Target's management and Marshalls Group Limited entered into a Management Warranty Deed. Pursuant to the Share Purchase Agreement, Marshalls has agreed to purchase, on the terms and subject to the conditions of the Share Purchase Agreement, the entire issued share capital of the Target.

The Acquisition represents an enterprise value of £535 million for the Marley Group on a debt free, cash free basis. The consideration will be financed through approximately £164 million in Consideration Shares¹², with the remainder of the consideration, in cash, to be financed by a combination of the Debt Financing and approximately £187 million from the Firm Placing and Placing and Open Offer. A locked box mechanism is in place from (and excluding) 31 December 2021 to (and including) Completion, which is designed to prevent "leakage" of value from the Target.

The Sellers have entered into the Lock-Up Deeds with the Company, pursuant to which they have agreed not to dispose of the Consideration Shares within a period of 6 months following Completion (in the case of the Inflexion Funds) and within a period 12 months following Completion (in the case of the Manager Sellers).

The Manager Sellers have also agreed that legal title of their Consideration Shares will on Completion be issued to Marshalls EBT Limited to be held on trust for such Manager Sellers for a period of 12 months following Completion. In the event that any Manager Sellers are "bad leavers" in these 12 months, they will forfeit and transfer their beneficial title to the Consideration Shares to Marshalls EBT Limited. To the extent the "bad leaver" trigger is as a result of resignation, this forfeit will apply to all the Consideration Shares held by that Manager Seller. To the extent the "bad leaver" trigger is not as a result of resignation, this forfeit of Consideration Shares will be on a *pro rata* basis and linked to how many incomplete months remain in the above 12 month period at the time that Manager Seller becomes a leaver.

The Acquisition constitutes a Class 1 transaction for the Company under the Listing Rules and is, therefore, conditional upon the approval of Shareholders, which will be sought at the General Meeting (see Part XXI (*Notice of General Meeting*)). Completion of the Acquisition is also conditional upon the Sponsor and Placing Agreement becoming unconditional and the Equity Issuance.

The Share Purchase Agreement contains warranties and covenants that are customary for an English-law governed acquisition of the size and nature of the Acquisition. In connection with the Share Purchase Agreement, certain Sellers also entered into the Management Warranty Deed with Marshalls Group Limited, in which particular members of management have provided warranties and covenants that are customary for such an Acquisition.

Certain of the warranties given under the Share Purchase Agreement and Management Warranty Deed include, among other things: (a) their title and ownership of the shares in

12 Under the Share Purchase Agreement, the non-cash consideration will be the issue by Marshalls Group Limited of consideration loan notes to the Sellers. Pursuant to the Put and Call Option Deed that the parties have committed to enter into on Completion, the Company may call, and the Sellers may put, those consideration loan notes in exchange for Consideration Shares, and so it is expected that the Sellers will be issued with the Consideration Shares shortly following Completion.

the Target; (b) their capacity to enter into the Share Purchase Agreement; (c) financial statements of the Target, undisclosed liabilities and events since the most recent audited financial statements; and (d) the underlying business of the Target.

Marshalls has obtained warranty and indemnity insurance in respect of the warranties in the Share Purchase Agreement and Management Warranty Deed, subject to certain specific limitations agreed with the relevant insurer, to provide recourse for Marshalls in the event that certain warranties are breached. The Share Purchase Agreement and Management Warranty Deed also contain other customary limitations and exclusions on liability.

In the event that: (a) the conditions to Completion have not been satisfied on or before the date that is six weeks from the date of the Share Purchase Agreement; (b) the Board adversely alters, modifies or revokes its recommendation for the Acquisition or (c) either party is in breach of its obligations to effect Completion under the Share Purchase Agreement (subject to certain conditions), then either party (in the case of (a)), the Sellers (in the case of (b)) or the innocent party (in the case of (c)) may terminate the Share Purchase Agreement.

A break fee of £2,750,000 will be payable by the Company to Marley Group plc in certain “at fault” circumstances where conditions are not satisfied and the Share Purchase Agreement is terminated. To the extent the relevant break fee trigger follows a “force majeure event” in connection with the Ukraine crisis, the break fee will be reduced to £1,375,000.

(B) Sponsor and Placing Agreement

On 6 April 2022, the Company, Rothschild & Co and the Joint Bookrunners entered into the Sponsor and Placing Agreement pursuant to which: (i) Rothschild & Co was appointed to act as the sole sponsor to the Company in connection with the Acquisition, the Capital Raising and the approval of the Prospectus; and (ii) the Joint Bookrunners were appointed to act as joint bookrunners to the Company in connection with the Firm Placing and Placing. The Joint Bookrunners have agreed severally, subject to certain conditions, to use reasonable endeavours to procure placees for the Firm Placing Shares and any New Ordinary Shares not applied for under the Open Offer at the Offer Price (to the extent not already procured prior to the date of the Sponsor and Placing Agreement). To the extent that any Firm Placee or Conditional Placee fails to subscribe for any or all of the Firm Placing Shares allocated to it in the Firm Placing or any or all of the New Ordinary Shares conditionally placed with it in the Placing and which are not validly taken up by Qualifying Shareholders under the Open Offer (respectively) (including in the event that such Firm Placee or Conditional Placee fails to take up any or all of the Firm Placing Shares or Non-Taken Up Shares (respectively) which have been allocated to it or which it has agreed to take up at the Offer Price), then each of the Joint Bookrunners has agreed, on the terms and subject to the conditions set out in the Sponsor and Placing Agreement, severally (and not jointly or jointly and severally) to subscribe for such Capital Raising Shares at the Offer Price in its agreed proportion.

In consideration of their services under the Sponsor and Placing Agreement, and subject to their obligations under the Sponsor and Placing Agreement having become unconditional and the Sponsor and Placing Agreement not being terminated, the Company has agreed to pay to the Joint Bookrunners:

- (i) an aggregate commission of 1.9 per cent. of the amount equal to the product of the Offer Price and the number of New Ordinary Shares; and
- (ii) a discretionary commission of up to 0.3 per cent. of the amount equal to the product of the Offer Price and the number of New Ordinary Shares, payable to any Joint Bookrunner in such amount as the Company may determine in its absolute discretion.

The Company will also pay certain expenses of the Joint Bookrunners and Rothschild & Co for the matters carried out under the Sponsor and Placing Agreement.

The Company has given certain customary undertakings, representations and warranties to the Joint Bookrunners and Rothschild & Co, including a 120 day lock-up on issues of new shares from the date of Admission (subject to certain customary exceptions), and in relation to other matters relating to the Group and its business. In addition, the Company has given customary indemnities to the Joint Bookrunners and Rothschild & Co and certain indemnified persons connected with each of them in relation to certain liabilities that Rothschild & Co may incur in respect of acting as sponsor to the Company and that the Joint Bookrunners may incur in carrying out the Firm Placing and the Placing.

The obligations of the Joint Bookrunners and Rothschild & Co under the Sponsor and Placing Agreement in relation to the Capital Raising are subject to certain customary conditions including, amongst others, no material breach of warranty contained in the Sponsor and Placing Agreement and Admission of the Capital Raising Shares becoming effective by 8:00 a.m. on 29 April 2022 or such later time and/or date as the Company, Rothschild & Co and the Joint Bookrunners may agree.

If any of the conditions to the Sponsor and Placing Agreement are not satisfied (or waived by the Joint Bookrunners and Rothschild & Co) or have become incapable of being satisfied by the required time and/or date, any of the Joint Bookrunners or Rothschild & Co may terminate the Sponsor and Placing Agreement, but only prior to Admission. In addition, any of the Joint Bookrunners or Rothschild & Co may, prior to Admission, terminate the Sponsor and Placing Agreement in certain circumstances including if there has been a material adverse change in respect of the Company between the date of the Sponsor and Placing Agreement and Admission or the occurrence of certain other matters or *force majeure*-style events.

(C) 2017 HSBC Revolving Facility Agreement

On or around 16 October 2017, (1) the Company, Marshalls Mono Limited and Marshalls Group Limited as the Original Borrowers and the Original Guarantors (together the “**Obligors**”) and (2) HSBC Bank plc as Lender, entered into a multicurrency revolving facility agreement (as amended from time to time) (the “**2017 HSBC Revolving Facility Agreement**”) under which an unsecured multicurrency revolving loan facility of £20,000,000 (the “**Facility**”) is made available to the Obligors. The Facility will terminate on 4 October 2022 unless the Company and HSBC Bank plc agree to extend the maturity of the Facility by an additional year.

Financial Covenants

The Company must ensure that:

- (i) the ratio of Consolidated EBITA to Consolidated Net Finance Costs in respect of any Relevant Period is not less than 2.5:1;
- (ii) the ratio of Consolidated Net Borrowings on the last day of any Relevant Period to Consolidated EBITA in respect of that Relevant Period is not more than 3:1; and
- (iii) Consolidated Net Tangible Assets are not less than £100,000,000 on 30 June or 31 December in any financial year.

For these purposes, a “**Relevant Period**” is each period of twelve months ending on the last day of each financial year (i.e. 31 December) and each period of twelve months ending on 30 June in each financial year. The financial covenants are tested as at the date to which the Group’s financial statements are drawn up. The Company delivers to the Lender audited consolidated financial statements with respect to each financial year and consolidated financial statements with respect to each financial half year as soon as they are available (but, in any event, within 150 days after the end of each of its financial years in the case of the former and within 120 days after the end of the first half of each financial year in the case of the latter). Computations as to compliance with the financial covenants are included in the compliance certificate required to be delivered to the Lender with each set of financial statements delivered to the Lender. The Company was in compliance with

the financial covenants as at the last testing date of 31 December 2021. The next testing date will be 30 June 2022.

As at the Latest Practicable Date, an aggregate amount of €2,000,000 had been drawn as loans under the 2017 HSBC Revolving Facility Agreement. Each loan drawn under the HSBC Revolving Facility Agreement is technically required to be repaid on the last day of its interest period (which period may be selected by the relevant Obligor or the Company on its behalf from the options in the 2017 HSBC Revolving Facility Agreement, which options depend on the currency of the loan but which generally will be one, two, three, six or twelve months). However, as a revolving credit facility, there exists a mechanism in the 2017 HSBC Revolving Facility Agreement whereby new loans may be deemed drawn in repayment of the existing loans. All loans drawn under the Facility must however be repaid on the applicable termination date (being 4 October 2022), as an interest period may not extend beyond the termination date.

Interest Rate

The interest payable on any loan under the 2017 HSBC Revolving Facility Agreement is comprised of a benchmark rate (depending on the currency) for the relevant interest period plus the applicable margin. The applicable margin is determined by reference to the leverage ratio in respect of the most recently completed Relevant Period.

Leverage Ratio (Consolidated Net Borrowings to Consolidated EBITA)

	Margin (% p.a.)
Greater than 2.5:1.0	2.05
Less than or equal to 2.5:1.0 but greater than 2.0:1.0	1.80
Less than or equal to 2.0:1.0 but greater than 1.5:1.0	1.55
Less than or equal to 1.5:1.0 but greater than 1.0:1.0	1.35
Less than or equal to 1.0:1.0	1.25

While an event of default is continuing under the 2017 HSBC Revolving Facility Agreement, the margin shall be the highest rate per annum set out above.

Guarantor Coverage Ratio

The Company must ensure that each of the: (i) aggregate of earnings before interest, tax and amortisation; and (ii) aggregate net tangible assets, in each case of the entities guaranteeing the 2017 HSBC Revolving Facility Agreement for any Relevant Period represents not less than 85% of Consolidated EBITA and Consolidated Net Tangible Assets.

Restrictions on Disposals

The 2017 HSBC Revolving Facility Agreement contains a restriction on disposals by Obligors subject to certain exceptions. The exceptions include, but are not limited to, disposals: (i) made in the ordinary course of business; (ii) made between Obligors; (iii) of any real property on terms whereby they are or may be leased to an Obligor or any member of the Group; (iv) of assets in exchange for other assets comparable or superior as to type, value or quality; and (v) made with the prior written consent of the Lender.

Material Adverse Effect

The events of default under the 2017 HSBC Revolving Facility Agreement include, but are not limited to, a material adverse change. This event of default will be triggered by an event or circumstance occurring which the Lender reasonably believes has or is reasonably likely to have a "Material Adverse Effect". Material Adverse Effect is defined as a material adverse effect on: (i) the business or financial condition of the Group taken as a whole; (ii) the ability of the Obligors (taken as a whole) to perform their payment obligations under the finance documents and/or their obligations under the financial covenants; or (iii) subject to certain legal reservations, the legality, validity or enforceability of any finance document or any right or remedy of the Lender under any of the finance documents the consequence of which would be to prejudice the ability of the Lender to recover outstanding amounts under the 2017 HSBC Revolving Facility Agreement.

It is proposed that the Debt Financing will be used to re-finance the 2017 HSBC Revolving Facility Agreement on Completion.

(D) 2021 HSBC Revolving Facility Agreement

On 13 August 2019, (1) the Company, Marshalls Mono Limited and Marshalls Group Limited as the Original Borrowers and the Original Guarantors (together the “**Obligors**”) and (2) HSBC UK Bank plc as Lender, entered into a multicurrency revolving facilities agreement (as amended and restated on 1 May 2020 and as further amended and restated pursuant to an amendment and restatement agreement dated 13 August 2021) (the “**2021 HSBC Revolving Facility Agreement**”) under which an unsecured multicurrency revolving loan facility of £35,000,000 (“**Facility A**”) and an unsecured multicurrency revolving loan facility of £20,000,000 (“**Facility B**”) are made available to the Obligors. Facility A will terminate on 13 August 2024 and Facility B will terminate on 13 August 2025 unless the Company and HSBC Bank UK plc agree to extend the maturity of Facility B by an additional year.

Financial Covenants

The Company must ensure that:

- (i) the ratio of Consolidated EBITA to Consolidated Net Finance Costs in respect of any Relevant Period is not less than 2.5:1;
- (ii) the ratio of Consolidated Net Borrowings on the last day of any Relevant Period to Consolidated EBITA in respect of that Relevant Period is not more than 3:1; and
- (iii) Consolidated Net Tangible Assets are not less than £100,000,000 on 30 June or 31 December in any financial year.

For these purposes, a “**Relevant Period**” is each period of twelve months ending on the last day of each financial year (i.e. 31 December) and each period of twelve months ending on 30 June in each financial year. The financial covenants are tested as at the date to which the Group’s financial statements are drawn up. The Company delivers to the Lender audited consolidated financial statements with respect to each financial year and consolidated financial statements with respect to each financial half year as soon as they are available (but, in any event, within 150 days after the end of each of its financial years in the case of the former and within 120 days after the end of the first half of each financial year in the case of the latter). Computations as to compliance with the financial covenants are included in the compliance certificate required to be delivered to the Lender with each set of financial statements delivered to the Lender. The Company was in compliance with the financial covenants as at the last testing date of 31 December 2021. The next testing date will be 30 June 2022.

Each loan drawn under the 2021 HSBC Revolving Facility Agreement is technically required to be repaid on the last day of its interest period (which period may be selected by the relevant Obligor or the Company on its behalf from the options in the 2021 HSBC Revolving Facility Agreement, which options depend on the currency of the loan but which generally will be one, two, three or six months). However, as a revolving credit facility, there exists a mechanism in the 2021 HSBC Revolving Facility Agreement whereby new loans may be deemed drawn in repayment of the existing loans. All loans drawn under Facility A or Facility B must however be repaid on the applicable termination date (being 13 August 2024 and 13 August 2025 respectively), as an interest period may not extend beyond the termination date. As at the Latest Practicable Date, no amounts had been drawn down under the 2021 HSBC Revolving Facility Agreement.

Interest Rate

The interest payable on any loan under the 2021 HSBC Revolving Facility Agreement depends on whether the loan is drawn under Facility A or Facility B, and is comprised of a benchmark rate or compounded reference rate (depending on the currency) for the

relevant interest period plus the applicable margin. The applicable margin is determined by reference to the leverage ratio in respect of the most recently completed Relevant Period.

Leverage Ratio (Consolidated Net Borrowings to Consolidated EBITA)	Facility A Margin (% p.a.)	Facility B Margin (% p.a.)
Greater than 2.5:1.0	1.85	2.55
Less than or equal to 2.5:1.0 but greater than 2.0:1.0	1.70	2.30
Less than or equal to 2.0:1.0 but greater than 1.5:1.0	1.55	2.05
Less than or equal to 1.5:1.0 but greater than 1.0:1.0	1.40	1.80
Less than or equal to 1.0:1.0	1.25	1.55

While an event of default is continuing under the 2021 HSBC Revolving Facility Agreement, the margin shall be the highest rate per annum set out above.

Guarantor Coverage Ratio

The Company must ensure that each of the: (i) aggregate of earnings before interest, tax and amortisation; and (ii) aggregate net tangible assets, in each case of the entities guaranteeing the 2021 HSBC Revolving Facility Agreement for any Relevant Period represents not less than 85% of Consolidated EBITA and Consolidated Net Tangible Assets.

Restrictions on Disposals

The 2021 HSBC Revolving Facility Agreement contains a restriction on disposals by Obligors subject to certain exceptions. The exceptions include, but are not limited to, disposals: (i) made in the ordinary course of business; (ii) made between Obligors; (iii) of any real property on terms whereby they are or may be leased to an Obligor or any member of the Group; (iv) of assets in exchange for other assets comparable or superior as to type, value or quality; and (v) made with the prior written consent of the Lender.

Material Adverse Effect

The events of default under the 2021 HSBC Revolving Facility Agreement include, but are not limited to, a material adverse change. This event of default will be triggered by an event or circumstance occurring which the Lender reasonably believes has or is reasonably likely to have a "Material Adverse Effect". Material Adverse Effect is defined as a material adverse effect on: (i) the business or financial condition of the Group taken as a whole; (ii) the ability of the Obligors (taken as a whole) to perform their payment obligations under the finance documents; or (iii) subject to certain legal reservations, the legality, validity or enforceability of any finance document or any right or remedy of the Lender under any of the finance documents the consequence of which would be to prejudice the ability of the Lender to recover outstanding amounts under the 2021 HSBC Revolving Facility Agreement.

It is proposed that the Debt Financing will be used to re-finance the 2021 HSBC Revolving Facility Agreement on Completion.

(E) 2020 Lloyds Revolving Facility Agreement

On 10 July 2015, (1) the Company, Marshalls Mono Limited and Marshalls Group Limited as the Original Borrowers and the Original Guarantors (together the "**Obligors**") and (2) Lloyds Bank plc as Lender entered into a multicurrency revolving facilities agreement (as amended and restated on 26 August 2016, on 10 August 2018 and as further amended and restated pursuant to an amendment and restatement agreement dated 1 May 2020 and as further amended from time to time) (the "**2020 Lloyds Revolving Facility Agreement**") under which an unsecured multicurrency revolving loan facility of £20,000,000 ("**Facility A**"), is made and an unsecured multicurrency revolving loan facility of £20,000,000 ("**Facility B**") and an unsecured multicurrency revolving loan facility of £30,000,000 ("**Facility C**") were made available to the Obligors. Facility A and Facility B may be increased with the agreement of Lloyds Bank plc by up to a further £10,000,000

in aggregate. Facility A will terminate on 31 August 2023, Facility B terminated on 19 August 2021 and Facility C terminated on 4 May 2021.

Financial Covenants

The Company must ensure that:

- (i) the ratio of Consolidated EBITA to Consolidated Net Finance Costs in respect of any Relevant Period is not less than 2.5:1;
- (ii) the ratio of Consolidated Net Borrowings on the last day of any Relevant Period to Consolidated EBITA in respect of that Relevant Period is not more than 3:1; and
- (iii) Consolidated Net Tangible Assets are not less than £100,000,000 on 30 June or 31 December in any financial year.

For these purposes, a “**Relevant Period**” is each period of twelve months ending on the last day of each financial year (i.e. 31 December) and each period of twelve months ending on 30 June in each financial year. The financial covenants are tested as at the date to which the Group’s financial statements are drawn up. The Company delivers to the Lender audited consolidated financial statements with respect to each financial year and consolidated financial statements with respect to each financial half year as soon as they are available (but, in any event, within 150 days after the end of each of its financial years in the case of the former and within 120 days after the end of the first half of each financial year in the case of the latter). Computations as to compliance with the financial covenants are included in the compliance certificate required to be delivered to the Lender with each set of financial statements delivered to the Lender. The Company was in compliance with the financial covenants as at the last testing date of 31 December 2021. The next testing date will be 30 June 2022.

As at the Latest Practicable Date, aggregate amounts of £14,500,000 and €5,786,205.98 had been drawn as loans under the 2020 Lloyds Revolving Facility Agreement. Each loan drawn under the 2020 Lloyds Revolving Facility Agreement is technically required to be repaid on the last day of its interest period (which period may be selected by the relevant Obligor or the Company on its behalf from the options in the 2020 Lloyds Revolving Facility Agreement, being one, three, six or twelve months). However, as a revolving credit facility, there exists a mechanism in the 2020 Lloyds Revolving Facility Agreement whereby new loans may be deemed drawn in repayment of the existing loans. All loans drawn under Facility A (Facility B and Facility C having already terminated) must however be repaid on 31 August 2023, as an interest period may not extend beyond the termination date.

Interest Rate

The interest payable on any loan under Facility A is comprised of a benchmark rate or compounded reference rate (depending on the currency) for the relevant interest period plus the applicable margin. The applicable margin is determined by reference to the leverage ratio in respect of the most recently completed Relevant Period. Only the applicable margin for Facility A is set out below, as Facility B and Facility C have terminated.

Leverage Ratio (Consolidated Net Borrowings to Consolidated EBITA)	Facility A Margin (% p.a.)
Greater than 2.5:1.0	2.20
Less than or equal to 2.5:1.0 but greater than 2.0:1.0	1.95
Less than or equal to 2.0:1.0 but greater than 1.5:1.0	1.50
Less than or equal to 1.5:1.0 but greater than 1.0:1.0	1.25
Less than or equal to 1.0:1.0	1.0

While an event of default is continuing under the 2020 Lloyds Revolving Facility Agreement, the margin shall be the highest rate per annum set out above.

Guarantor Coverage Ratio

The Company must use all reasonable endeavours to ensure that each of the: (i) aggregate of earnings before interest, tax and amortisation; and (ii) aggregate net tangible assets, in each case of the entities guaranteeing the 2020 Lloyds Revolving Facility Agreement for any Relevant Period is not less than 85% of Consolidated EBITA and Consolidated Net Tangible Assets.

Restrictions on Disposals

The 2020 Lloyds Revolving Facility Agreement contains a restriction on disposals by Obligors subject to certain exceptions. The exceptions include, but are not limited to, disposals: (i) made in the ordinary course of business; (ii) made between Obligors; (iii) of any real property on terms whereby they are or may be leased to an Obligor or any member of the Group; (iv) of assets in exchange for other assets comparable or superior as to type, value or quality; and (v) made with the prior written consent of the Lender.

Material Adverse Effect

The events of default under the 2020 Lloyds Revolving Facility Agreement include, but are not limited to, a material adverse change. This event of default will be triggered by an event or circumstance occurring which has a "Material Adverse Effect". Material Adverse Effect is defined as a material adverse effect on: (i) the business or financial condition of the Group taken as a whole; (ii) the ability of the Obligors (taken as a whole) to perform their payment obligations under the finance documents and/or their obligations under the financial covenants; or (iii) subject to certain legal reservations, the legality, validity or enforceability of any finance document or any right or remedy of the Lender under any of the finance documents.

It is proposed that the Debt Financing will be used to re-finance the 2020 Lloyds Revolving Facility Agreement on Completion.

(F) 2020 Natwest Revolving Facility Agreement

On 15 January 2019, (1) the Company, Marshalls Mono Limited and Marshalls Group Limited as the Original Borrowers and the Original Guarantors (together the "**Obligors**") and (2) National Westminster Bank plc as Lender entered into a multicurrency revolving facility agreement (as amended and restated pursuant to an amendment and restatement agreement dated 13 August 2021) (the "**2020 Natwest Revolving Facility Agreement**"), under which an unsecured multicurrency revolving loan facility of £25,000,000 ("**Facility A**") and an unsecured multicurrency revolving loan facility of £20,000,000 ("**Facility B**") are made available, and an unsecured multicurrency revolving loan facility of £30,000,000 was made available, to the Obligors ("**Facility C**"). Facility A will terminate on 15 January 2024, Facility B will terminate on 1 May 2023 unless the Company and National Westminster Bank plc agree to extend the maturity of Facility B (first, by an additional year, and second by a further additional year) and Facility C terminated on 1 May 2021.

Financial Covenants

The Company must ensure that:

- (i) the ratio of Consolidated EBITA to Consolidated Net Finance Costs in respect of any Relevant Period is not less than 2.5:1;
- (ii) the ratio of Consolidated Net Borrowings on the last day of any Relevant Period to Consolidated EBITA in respect of that Relevant Period is not more than 3:1; and
- (iii) Consolidated Net Tangible Assets are not less than £100,000,000 on 30 June or 31 December in any financial year.

For these purposes, a "**Relevant Period**" is each period of twelve months ending on the last day of each financial year (i.e. 31 December) and each period of twelve months ending on 30 June in each financial year. The financial covenants are tested as at the date to which the Group's financial statements are drawn up. The Company delivers to the Lender

audited consolidated financial statements with respect to each financial year and consolidated financial statements with respect to each financial half year as soon as they are available (but, in any event, within 150 days after the end of each of its financial years in the case of the former and within 120 days after the end of the first half of each financial year in the case of the latter). Computations as to compliance with the financial covenants are included in the compliance certificate required to be delivered to the Lender with each set of financial statements delivered to the Lender. The Company was in compliance with the financial covenants on the last testing date of 31 December 2021. The next testing date will be 30 June 2022.

As at the Latest Practicable Date, an aggregate amount of £20,000,000 had been drawn as loans under the 2020 Natwest Revolving Facility Agreement. Each loan drawn under the 2020 Natwest Revolving Facility Agreement is technically required to be repaid on the last day of its interest period (which period may be selected by the relevant Obligor or the Company on its behalf from the options in the 2020 Natwest Revolving Facility Agreement, being one, two, three, six or twelve months). However, as a revolving credit facility, there exists a mechanism in the 2020 Natwest Revolving Facility Agreement whereby new loans may be deemed drawn in repayment of the existing loans. All loans drawn under Facility A or Facility B must however be repaid on the applicable termination date (being 15 January 2024 and 1 May 2023 (unless extended as described above) respectively), as an interest period may not extend beyond the termination date.

Interest Rate

The interest payable on any loan under the 2020 Natwest Revolving Facility Agreement depends on whether the loan is drawn under Facility A or Facility B, and is comprised of a benchmark rate (depending on the currency) for the relevant interest period plus the applicable margin. The applicable margin is determined by reference to the leverage ratio in respect of the most recently completed Relevant Period. Only the applicable margin for Facility A and Facility B is set out below, as Facility C has terminated.

Leverage Ratio (Consolidated Net Borrowings to Consolidated EBITA)	Facility A Margin (% p.a.)	Facility B Margin (% p.a.)
Greater than 2.5:1.0	1.90	1.90
Less than or equal to 2.5:1.0 but greater than 2.0:1.0	1.65	1.65
Less than or equal to 2.0:1.0 but greater than 1.5:1.0	1.40	1.40
Less than or equal to 1.5:1.0 but greater than 1.0:1.0	1.25	1.25
Less than or equal to 1.0:1.0	1.10	1.10

While an event of default is continuing under the 2020 Natwest Revolving Facility Agreement, the margin shall be the highest rate per annum set out above.

Guarantor Coverage Ratio

The Company must use all reasonable endeavours to ensure that each of the: (i) aggregate of earnings before interest, tax and amortisation; and (ii) aggregate net tangible assets, in each case of the entities guaranteeing the 2020 Natwest Revolving Facility Agreement for any Relevant Period is not less than 85% of Consolidated EBITA and Consolidated Net Tangible Assets.

Restrictions on disposals

The 2020 Natwest Revolving Facility Agreement contains a restriction on disposals by Obligors subject to certain exceptions. The exceptions include, but are not limited to, disposals: (i) made in the ordinary course of business; (ii) made between Obligors; (iii) of any real property on terms whereby they are or may be leased to an Obligor or any member of the Group; (iv) of assets in exchange for other assets comparable or superior as to type, value or quality; and (v) made with the prior written consent of the Lender.

Material Adverse Effect

The events of default under the 2020 Natwest Revolving Facility Agreement include, but are not limited to, a material adverse change. This event of default will be triggered by an

event or circumstance occurring which has, or is reasonably likely to have, a “Material Adverse Effect”. Material Adverse Effect is defined as a material adverse effect on: (i) the business or financial condition of the Group taken as a whole; (ii) the ability of the Obligors (taken as a whole) to perform their payment obligations under the finance documents and/or their obligations under the financial covenants; or (iii) subject to certain legal reservations, the legality, validity or enforceability of any finance document or any right or remedy of the Lender under any of the finance documents the consequence of which would be to prejudice the ability of the Lender to recover outstanding amounts under the 2020 Natwest Revolving Facility Agreement.

It is proposed that the Debt Financing will be used to re-finance the 2020 Natwest Revolving Facility Agreement on Completion.

(G) **Debt Financing**

On 6 April 2022 the Company entered into a senior facilities agreement with Lloyds Bank plc, NatWest Markets plc and National Westminster Bank plc as mandated lead arrangers, bookrunners and original lenders, Lloyds Bank plc and NatWest Markets plc as underwriters and National Westminster Bank plc as agent (the “**Senior Facilities Agreement**”). Under the Senior Facilities Agreement a four year £210,000,000 term loan facility is made available to Marshalls Group Limited as borrower (the “**Term Facility**”) and a four year multicurrency revolving credit facility of £160,000,000 is made available to the Company, Marshalls Mono Limited and Marshalls Group Limited as borrowers (the “**Revolving Credit Facility**”, together with the Term Facility the “**Facilities**”).

The Company has the option to request a 12 month extension of the maturity date with respect to each of the Facilities. The Company may also request, until the date falling one month prior to the maturity of the Revolving Credit Facility, that the commitments under the Revolving Credit Facility are increased by £50,000,000.

The Term Facility will be used to part-fund the Acquisition (and costs related thereto) (with the Capital Raising and the issue of the Consideration Shares funding the remainder), and it will also be used to refinance the Target Group’s existing facilities (including any prepayment costs related thereto). The Revolving Credit Facility will be used for the general corporate and working capital purposes of the Group, including to refinance the Group’s existing facilities, fund acquisitions and acquisition costs and prepay any loan in relation to any existing ancillary facility. The Facilities are made available on a customary certain funds basis.

Following completion of the Acquisition, any references in the Senior Facilities Agreement to the Company’s subsidiaries will extend to entities currently sitting in the Target Group, meaning that the restrictions and financial covenants in the Senior Facilities Agreement will apply to them. In addition, whilst the Facilities are, at the date of this document, unsecured, they are guaranteed by the Company, Marshalls Mono Limited and Marshalls Group Limited, and there is a requirement that they are guaranteed by members of the Group representing at least 80% of the Consolidated EBITA (as defined in the Senior Facilities Agreement) and net tangible assets of the Group, which will result in members of the Target Group acceding to the Senior Facilities Agreement as guarantors within 45 days of completion of the Acquisition.

Any loan advanced under the Term Facility will be repaid in full on the maturity date of the Term Facility (being the fourth anniversary of the closing date of the Acquisition, subject to the option to extend for a further year). Loans advanced under the Revolving Credit Facility will be repaid on the last day of the interest period for each respective loan.

Interest periods for any loan under the Facilities may be one, three or six months at the election of the Company, or as otherwise agreed. The rate of interest under the Facilities is calculated at a percentage rate per annum equal to an aggregate of a specified benchmark rate and a margin, which will be subject to change depending on the prevailing level of Consolidated Net Borrowings to Consolidated EBITDA (as defined in the Senior Facilities Agreement) of the Group. The benchmark rate under the Term Facility is SONIA. The benchmark rates under the Revolving Credit Facility differ depending on the currency

of the respective loan: SONIA for sterling loans, SOFR for US dollar loans and EURIBOR for euro loans. The Company is also required to pay a commitment fee equal to 35 per cent. of the applicable margin on available commitments under the Revolving Credit Facility from the business day immediately after the closing date of the Acquisition for the remainder of its availability period.

The Facilities have a Consolidated EBITA to Consolidated Net Finance Costs (each as defined in the Senior Facilities Agreement) financial covenant of not less than 3:1. The Facilities also have a Consolidated Net Borrowings to Consolidated EBITDA (each as defined in the Senior Facilities Agreement) financial covenant of not more than 3:1, each of which is calculated on a consolidated basis in respect of the 12-month period ending on the most recently completed financial year or financial half year. The Senior Facilities Agreement also contains certain other customary representations, warranties and undertakings including, without limitation, a restriction on certain sales and other disposals of assets, a restriction on the creation or subsistence of security and guarantees, in each case subject to certain exceptions.

The events of default under the Senior Facilities Agreement include, among others and subject to customary grace periods and materiality thresholds, (i) non-payment, (ii) breach of the financial covenants, (iii) breach of any other obligations contained in the Senior Facilities Agreement, (iv) misrepresentation, (v) cross-default, (vi) certain insolvency events, (vii) certain insolvency proceedings, (viii) creditors' process, (ix) an obligor ceasing to be a subsidiary of the Company, (x) it being unlawful for an obligor to perform its obligations, (xi) repudiation and (xii) material adverse change.

If an event of default occurs, the agent may give notice of cancellation of all available commitments and/or declare all outstanding advances, together with accrued interest, to be immediately due and payable or payable on demand. However, the Senior Facilities Agreement includes a clean-up period from completion of the Acquisition to the date falling 90 days with respect to events of default caused by the Acquisition.

As at the Latest Practicable Date, no amount had been drawn under the Senior Facility Agreement.

12.2 Material Contracts of the Marley Group

The contracts listed below have been entered into by the Target or another member of the Target's Group: (i) within the two years immediately preceding publication of this document which are material to the Target or any member of the Target's Group, or (ii) at any time and contain any provision under which the Target or any member of the Target's Group has any obligation or entitlement which is material to the Target or any member of the Target's Group as at the date of this document, in each case not including contracts entered into in the ordinary course of business.

(A) Hive Down Agreement

On 18 December 2018, Marley Limited (as "Purchaser") entered into an asset purchase agreement with Marley Eternit Limited (as "Eternit") to purchase the business and operations as carried out by Eternit at certain locations in relation to concrete and clay tiles and fittings and roofing components conducted in the UK (the "Hive Down"). Eternit owned and operated the aforementioned business in the UK which formed a distinct part of a wider European and South African concrete and clay tiles and fitting and roofing components business of Eternit's group. The distinct business conducted in the UK was to be transferred to a company as part of the Hive Down with Eternit retaining the other business units. Under the terms of the Hive Down, Eternit agreed to continue to discharge when due all specifically excluded liabilities and the Purchaser agreed to assume and discharge when due all transferring liabilities. Additionally, Eternit agreed to retain all benefits arising from the excluded assets and the Purchaser agreed to acquire all benefits arising from the transferring assets. The Hive Down took effect on 1 January 2019.

(B) Marley SPA

On 16 August 2019, Monty Bidco Limited entered into a share purchase agreement with Etex (Exteriors) UK Limited to purchase the entire issued share capital of its wholly owned subsidiary, Marley Limited (the “**Marley SPA**”). The acquisition of Marley Limited completed on 30 August 2019. Under the Marley SPA, consideration to be paid at closing was £238,345,565.36 less certain deducted leakages. The consideration was subject to adjustment using a locked box mechanism that took into account, amongst others, any dividend or distribution paid by Marley Limited, any directors’, shareholder or similar fees paid by or on behalf of Marley Limited and any payment made or agreed to be made on behalf of Marley Limited in respect of any of its share capital being issued, redeemed, purchased or repaid, or any other return of capital by Marley Limited.

The Marley SPA contains warranties, covenants and indemnities that are subject to financial and other limitations. The Marley SPA contains specific indemnities, amongst others, in relation to the Hive Down and certain environmental liabilities.

Monty Bidco Limited has agreed to provide Etex (Exteriors) UK Limited reasonable access to the books and records of Marley Limited for three years (or, in respect of tax, seven years) following the closing date to the extent they relate to: (i) Marley Limited or the business carried on by Marley Limited; and (ii) the period up to closing, but only to the extent necessary for accounting, regulatory or tax purposes. Etex (Exteriors) UK Limited was bound by a non-complete and non-solicitation provision which, in each case, expired on 30 August 2021.

(C) Viridian SPA

On 1 April 2021, Marley Limited entered into a share purchase agreement with the shareholders of Viridian Solar Limited to purchase the entire issued share capital of Viridian Solar Limited (the “**Viridian SPA**”). The Viridian Acquisition completed on 1 April 2021. Under the Viridian SPA, consideration paid at closing was £10,514,209. The consideration is subject to any earn-out consideration and any bonus adjustment consideration (these obligations continue until 2024). Under the terms of the Viridian SPA, there is a maximum of £12,000,000 payable in the form of deferred consideration (depending on particular milestones).

The Viridian SPA contains warranties, covenants and indemnities that are subject to financial and other limitations. The Viridian SPA contains specific indemnities, amongst others, in relation to fires at certain properties, delamination of specific solar panels and a former subsidiary of Viridian Solar Limited.

(D) Share Exchange Deed

Pursuant to a share exchange deed dated 17 September 2021 between Marley Group plc, the Inflexion Funds and certain members of management (including the senior managers) (the “**Share Exchange Deed**”), Marley Group plc became the holding company of the Marley Group, whereby the shareholders in Monty Topco Limited transferred the shares held by them in Monty Topco Limited to Marley Group plc in exchange for the allotment and issue by Marley Group plc of such equivalent numbers and classes of shares in Marley Group plc as they held in Monty Topco Limited. The Share Exchange Deed contains customary title warranties.

(E) Existing Senior Facilities Agreement

On 16 August 2019, Monty Midco 2 Limited entered into a senior facilities agreement (as amended on 28 July 2020, 1 December 2021 and from time to time) made between, amongst others, Monty Midco 2 Limited as parent, Monty Bidco as original borrower, the financial institutions listed therein as original lenders and Wilmington Trust (London) Limited as agent and security agent (the “**Existing SFA**”). The following term loan facilities were made available to Monty Bidco Limited under the terms of the Existing SFA: (a) a £125,000,000 unitranche facility (the “**Unitranche Facility**”); and (b) a £20,000,000 acquisition facility (the “**Acquisition Facility**”). The Existing SFA benefits from security granted by, among others, Monty Midco 2 Limited and Monty Bidco Limited, which is

regulated by an intercreditor agreement dated 16 August 2019 (as amended from time to time). The Unitranche Facility and the Acquisition Facility will terminate on 16 August 2026.

There is also the ability for Monty Midco 2 Limited to establish further incremental facilities in accordance with certain conditions set out therein.

The interest payable on any loan under the Existing SFA and is comprised of a benchmark rate or compounded reference rate (depending on the currency) for the relevant interest period plus the applicable margin and shall be payable on the last day of each interest period. The Margin is 7.00 per cent. per annum in respect of the Unitranche Facility and the Acquisition Facility. The Margin relating to any incremental facility would need to be agreed with the relevant incremental facility lenders at the time of establishing any such incremental facility.

Monty Midco 2 Limited must ensure that:

- (i) the ratio of Cashflow to Debt Service (in each case as defined in the Existing SFA) in respect of each period of twelve months ending on each of 31 March, 30 June, 30 September and 31 December is not less than 1.25:1; and
- (ii) the aggregate capital expenditure of Monty Midco 2 Limited and its subsidiaries (other than capital expenditure financed or refinanced from certain acceptable funding sources in respect of each financial year specified in column 1 below does not exceed the amount set out in column 2 opposite that financial year (the below does not include financial years which have previously ended):

Column 1 (Financial Year ending)	Column 2 (Maximum Expenditure)
31 December 2022	£7,100,000
31 December 2023	£7,300,000
31 December 2024	£7,500,000
31 December 2025	£7,700,000

If in any financial year the amount of capital expenditure is less than the maximum amount permitted, then the maximum expenditure amount of the next financial year shall be increased by the unused amount (although shall that unused amount shall be treated as being spent last in that next financial year, and may not be subsequently carried forward). There is also provision to exceed the maximum permitted expenditure in any year by an amount not to exceed 50 per cent. of the maximum expenditure permitted in the next financial year (and the maximum expenditure permitted in the next financial year will be reduced to the same extent).

As at the Latest Practicable Date, the total principal amount outstanding under the Existing SFA was £119.4 million (excluding break fees of £4.48 million) (the “**Existing SFA Principal Outstandings**”). Payment of the Existing SFA Principal Outstandings is due on 16 August 2026.

A prepayment of the Existing SFA Principal Outstandings will attract a prepayment fee (the “**Prepayment Fee**”) in the following amounts:

- after 30 August 2021 but on or before 30 August 2022, an amount equal to 3.75% of the principal amount of the relevant facility prepaid; and
- after 30 August 2022 but on or before 30 August 2023, an amount equal to 1.875% of the principal amount of the relevant facility prepaid.

It is proposed that the Debt Financing will be used to re-finance the Existing SFA on Completion (and it is agreed that the Sellers will bear the costs of any associated prepayment fees and break costs).

(F) Existing Revolving Credit Facility Agreement

On 16 August 2019, Monty Midco 2 Limited also entered into a revolving credit facility agreement (as amended on 28 July 2020, 1 December 2021 and from time to time) made

between, amongst others, Monty Midco 2 Limited as parent, Monty Bidco Limited as original borrower, PNC Business Credit (a trading style of PNC Financial Services UK Ltd) as original lender and Wilmington Trust (London) Limited as agent and security agent (the “**Existing RCF**”), under which a £20,000,000 multicurrency revolving credit facility is made available. The Existing RCF benefits from security granted by, among others, Monty Midco 2 Limited and Monty Bidco Limited, which is regulated by an intercreditor agreement dated 16 August 2019 (as amended from time to time). The Existing RCF will terminate on 16 August 2025.

The interest payable on any loan under the Existing SFA and is comprised of a benchmark rate or compounded reference rate (depending on the currency) for the relevant interest period plus the applicable margin and shall be payable on the last day of each interest period. The margin is calculated by reference to the ratio of Cashflow to Debt Service. While this ratio is equal to or greater than 1.25:1, the margin is 3.50 per cent. per annum, and while this ratio is less than 1.25:1, margin is 4.0 per cent. per annum. A commitment fee of 1.05% is payable quarterly in arrears on the undrawn commitments under the Existing RCF.

Monty Midco 2 Limited must ensure that:

- (i) the ratio of Cashflow to Debt Service in respect of each period of twelve months ending on each of 31 March, 30 June, 30 September and 31 December is not less than 1.15:1; and
- (ii) the aggregate capital expenditure of Monty Midco 2 Limited and its subsidiaries (other than capital expenditure financed or refinanced from certain acceptable funding sources in respect of each financial year specified in column 1 below does not exceed the amount set out in column 2 opposite that financial year (the below does not include financial years which have previously ended):

Column 1 (Financial Year ending)	Column 2 (Maximum Expenditure)
31 December 2022	£7,100,000
31 December 2023	£7,300,000
31 December 2024	£7,500,000
31 December 2025	£7,700,000

If in any financial year the amount of capital expenditure is less than the maximum amount permitted, then the maximum expenditure amount of the next financial year shall be increased by the unused amount (although shall that unused amount shall be treated as being spent last in that next financial year, and may not be subsequently carried forward). There is also provision to exceed the maximum permitted expenditure in any year by an amount not to exceed 50 per cent. of the maximum expenditure permitted in the next financial year (and the maximum expenditure permitted in the next financial year will be reduced to the same extent).

As at the Latest Practicable Date, there was no principal amount outstanding under the Existing RCF.

It is proposed that the Debt Financing will be used to re-finance any amounts outstanding under the Existing RCF on Completion (and it is agreed that the Sellers will bear the costs of any associated prepayment fees and break costs).

(G) Investment Agreement

On 16 August 2019, IPEP (in its capacity as investment adviser), the Inflexion Funds and certain members of management entered into an investment agreement (the “**Investment Agreement**”) relating to their investment into Monty Topco Limited. The Investment Agreement contains customary provisions relating to an investment of this nature, including in relation to the composition of the boards of Monty Topco Limited and its group (pursuant to which the Inflexion Funds may appoint up to two investor directors to the boards of Monty Topco Limited and each other group entity, as well as any committee of such boards) and the payment of director fees in respect of such investment funds.

The other key terms of the Investment Agreement include: (i) information rights in favour of the Inflexion Funds for investment monitoring and legal and regulatory compliance purposes; (ii) provisions relating to the conduct of the group's business, including certain reserved matters that require the prior written approval of the Inflexion Funds and/or management; (iii) manager restrictive covenants given in favour of Monty Topco Limited, Marley Group Plc and the Inflexion Funds to protect the goodwill of the Marley Group's business including customary non-compete, non-solicit and confidentiality provisions; and (iv) provisions governing the issue of additional securities by Monty Topco Limited and the Marley Group, including pre-emption rights. In addition, the parties to the Investment Agreement have agreed to work towards and cooperate to deliver an exit of the Inflexion Funds' investments (which includes a disposal of their investment by way of the Acquisition) and, in connection with the Inflexion Funds advising, evaluating and arranging an exit, Monty Bidco Limited has agreed to pay the general partners of the Inflexion Funds, an exit fee equal to two per cent, of the enterprise value of the group determined on the exit.

(H) **Loan Note Instruments**

Investor Loan Note Instrument

On 30 August 2019, Monty Midco 1 Limited ("Monty Midco") issued the Investor Loan Notes pursuant to the terms of a loan note instrument constituting the Investor Loan Notes (the "**Investor Loan Note Instrument**"). As at 31 December 2021, a total of £113.9 million principal amount and £36.2 million accrued interest remains outstanding. The principal on the Investor Loan Notes accrues interest daily at a rate of 12 per cent, per annum and compounds on the annual anniversary of the date of the Investor Loan Note Instrument. Accrued interest on the Investor Loan Notes (including interest which has compounded) may be cash paid at the election of the majority of the noteholders, or if no such election is made, the compounded interest will be added to and form part of the outstanding principal. The Investor Loan Note Instrument also constitutes an unlimited amount of payment in kind notes which may be issued (with noteholder consent) in order to satisfy any liability to pay accrued interest on the Investor Loan Notes.

The Investor Loan Notes rank *pari passu* with the Management Loan Notes. If any payments are made in respect of the Management Loan Notes, equivalent (pro-rated) payments must be offered to the holders of the Investor Loan Notes and, if accepted, made to the holders. The Investor Loan Notes are redeemable on 31 March 2027, or if earlier, the date upon which a Sale or Listing occur or the date of a Disposal (in each case, as defined, in the articles of association of Marley Group Plc and which would be triggered by the Acquisition). Monty Midco has the right to redeem the Investor Loan Notes prior to the redemption date, provided that any such redemption is made *pro rata* across the Investor Loan Notes and the Management Loan Notes.

Management Loan Note Instrument

On 30 August 2019, Monty Midco issued the Management Loan Notes pursuant to the terms of a loan note instrument constituting the Management Loan Notes (the "**Management Loan Note Instrument**"). As at 31 December 2021, a total of £237,364 principal amount and £72,516 accrued interest remains outstanding.

The principal on the Management Loan Notes accrues interest daily at a rate of 12 per cent, per annum and compounds on the annual anniversary of the date of the Management Loan Note Instrument. Accrued interest on the Management Loan Notes (including interest which has compounded) may be cash paid at the election of the majority of the noteholders, or if no such election is made, the compounded interest will be added to and form part of the outstanding principal.

The Management Loan Notes rank *pari passu* with the Investor Loan Notes. If any payments are made in respect of the Management Loan Notes, equivalent (pro-rated) payments must be offered to the holders of the Investor Loan Notes and, if accepted, made to the holders. The Management Loan Notes are redeemable on 31 March 2027, or if earlier, the date upon which a Sale or Listing occur or the date of a Disposal (in each case,

as defined, in the articles of association of Marley Group Plc and which would be triggered by the Acquisition). Monty Midco has the right to redeem the Management Loan Notes prior to the redemption date, provided that any such redemption is made across the Investor Loan Notes and the Management Loan Notes.

13. LEGAL AND ARBITRATION PROCEEDINGS

13.1 Legal and arbitration proceedings related to the Group

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), during a period covering at least the twelve (12) months preceding the date of this document which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability.

13.2 Legal and arbitration proceedings related to the Marley Group

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Target is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the Target and/or the Marley Group's financial position or profitability.

14. REGULATORY DISCLOSURES

The Company regularly publishes announcements via the RNS system and the Company's website. Below is a summary of the information disclosed in accordance with the Company's obligations under UK MAR over the last 12 months which are relevant as at the date of this document. In addition to the RNS system, full announcements can be accessed on the webpage of the Company at <https://www.marshalls.co.uk/investor/regulatory-news>.

(A) Changes to the Board of the Company

On 1 April 2021, the Company announced the following changes to the Board:

- (i) Jack Clarke would step down from the Board and as Group Finance Director with effect from the date of the announcement but would remain within the Group until 31 March 2022 to ensure a smooth and orderly handover;
- (ii) Janet Ashdown would retire from the Board with effect from the end of the Company's 2021 annual general meeting in May; and
- (iii) after Janet Ashdown's retirement, Graham Prothero would assume the role of Senior Independent Non-Executive Director and Angela Bromfield would take over as the Chair of the Remuneration Committee and the designated Non-Executive Director for workforce engagement.

On 29 April 2021, the Company announced that Justin Lockwood was appointed to the Board as Chief Financial Officer, and subsequently announced on 2 June 2021 that he would commence this role on 26 July 2021.

By way of a trading update on 12 May 2021, the Company announced that Avis Darzins would be appointed to the Board as a Non-Executive Director with effect from 1 June 2021 and that Tim Pile would step down as a member of the Audit Committee with immediate effect.

On 14 December 2021, the Company announced that Philip Rogerson would be stepping down as a director of the Company for health reasons, with immediate effect, following his appointment to the Board as a Non-Executive Director in September 2021.

On 17 March 2022, the Company announced that Simon Bourne would be appointed to the Board as Chief Operating Officer with effect from 1 April 2022.

There have been no other changes to the Board of the Company since 31 December 2020.

(B) Financial results and trading updates

On 12 May 2021, the Company released a trading update for the first four months of the 2021 financial year, announcing that recent trading had been strong and that the trend of improvement had continued. Sales in the domestic end market were up by 20 per cent and sales in the international business had increased by 32 per cent in comparison with the same period in 2019. Sales in the public sector and commercial end market were also slightly up from the same period in 2019 (once adjusting for the planned reduction in Premier Mortar sites in the second quarter of 2020). The Group also announced that the short-term bank facilities established in May 2020 had not been utilised and have now reached maturity, so bank facilities totalled £165 million, in line with pre-COVID-19 levels.

On 19 August 2021, the Company announced its interim results for the half year ended 30 June 2021, including a statement that the Construction Products Association's recent summer forecast predicts year on year increases in UK market volumes of 13.7 per cent in 2021 and 6.3 per cent in 2022 and that the Group expects to meet or outperform the market.

On 18 January 2022, the Company released a trading update, including a statement that, due to the strong market demand in the last quarter of the year, the Company is revising its trading expectations for the year ended 31 December 2021 to be slightly ahead of its previous view. Group revenue for the year ended 31 December 2021 was £589 million, an increase of 9 per cent. compared with the same period in 2019. Sales in the domestic end market were up by 18 per cent. and sales in the international business were up by 23 per cent. compared with the same period in 2019. Sales in the public and commercial sector were also up by 6 per cent. compared with 2019 (once adjusting for the impact on sales caused by the planned reduction in Marshalls Mortars and Screed sites in the first half of 2020). The Group announced that it retains a strong balance sheet supported by a flexible capital structure and maintains good headroom against bank facilities, which will support its investment priorities going forward.

On 17 March 2022, the Company announced its full year results for the year ended 31 December 2021, including a statement that given the strength of recent and current trading the Board's expectations for the current year are now ahead of its previous view. Group revenue for the year ended 31 December 2021 was £589.3 million (2020: £469.5 million; 2019: £541.8 million), which is 26 per cent ahead of the 2020 comparative and 9 per cent ahead of the same period in 2019. Revenue growth in the second half of the year was increasingly strong and was 11 per cent ahead of the comparative figures for 2019.

(C) Dealings by persons discharging managerial responsibilities and their persons closely associated

The Company has made a number of disclosures in accordance with Article 19 of UK MAR in relation to transactions carried out by certain of the Company's persons discharging managerial responsibilities ("PDMRs") and their persons closely associated.

Such transactions included:

- i. the sale of 2,300 shares by Tim Pile (Non-Executive Director), announced 17 March 2021;
- ii. the vesting of 200,584 share options under the Marshalls plc 2014 Management Incentive Plan ("MIP") to Martyn Coffey (Chief Executive Officer) and the sale of 94,275 of those shares to pay tax and NIC (with 106,309 shares retained) announced on 18 March 2021;
- iii. the vesting of 131,578 share options under the MIP to Jack Clarke (the then Group Finance Director), the sale of 61,843 of those shares to pay tax and NIC, and the sale of a further 34,261 shares for cash (35,474 shares retained) announced on 18 March 2021;
- iv. the transfer of 714,088 shares by Marshalls EBT Limited to satisfy the vesting of share options under the MIP and the Marshalls plc Bonus Share Plan 2015 ("BSP"), and the purchase of 390,794 shares vesting under MIP and BSP from participants to enable settlement of tax/NIC due on vesting and to satisfy awards taken as cash, announced on 18 March 2021;
- v. the sale of 149,126 shares by Gillian Coffey, the spouse of Martyn Coffey (Chief Executive Officer) announced on 15 April 2021;

- vi. the purchase of 5,000 shares by Philip Rogerson (a then Non-Executive Director) announced on 21 September 2021;
- vii. the purchase of 1,425 shares by Avis Darzins (Non-Executive Director) announced on 10 June 2021 and a subsequent purchase of 2,500 shares announced on 21 September 2021;
- viii. the purchase of 5,000 shares by Alison Lockwood, the spouse of Justin Lockwood (Chief Financial Officer), announced on 29 September 2021; and
- ix. the bespoke grant of 29,160 nil cost options in lieu of incentives forfeited on cessation of employment granted to Justin Lockwood (Chief Financial Officer), announced on 1 October 2021;
- x. the granting of 76,251 nil cost options (subject to conditions) under the MIP to Martyn Coffey (Chief Executive Officer), announced on 18 March 2022; and
- xi. the granting of 23,759 nil cost options (subject to conditions) under the MIP to Justin Lockwood (Chief Financial Officer), announced on 18 March 2022.

15. FRUSTRATING ACTIONS

The Company is subject to the City Code. Other than as provided by the City Code and Chapter 3 of Part 28 of the Companies Act 2006, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Ordinary Shares.

The Panel on Takeovers and Mergers has granted a dispensation from the requirements of the City Code in respect of the Acquisition, and each of the Sellers has been notified of and acknowledged such dispensation.

16. EXPENSES

The total costs and expenses payable by the Company in connection with the Capital Raising (including the listing fees of the FCA and the London Stock Exchange, professional fees and expenses and the costs of printing and distribution of documents) are estimated to amount to approximately £6.9 million (including VAT).

Each New Ordinary Share is expected to be issued at a premium of £6.25 to its nominal value of 25 pence.

17. WORKING CAPITAL

In the opinion of the Company, taking into account the net proceeds of the Capital Raising (being approximately £184 million, after deduction of estimated commissions, fees and expenses) and its available debt facilities, the working capital available to the Enlarged Group is sufficient for its present requirements (that is, for at least 12 months following the date of this document).

18. NO SIGNIFICANT CHANGE

18.1 No significant change in relation to the Group

There has been no significant change in the financial position or financial performance of the Group since 31 December 2021, the date to which the Group's latest audited year-end financial information was published.

18.2 No significant change in relation to the Marley Group

There has been no significant change in the financial position or financial performance of the Marley Group since 31 December 2021, the date to which the latest audited historical financial information has been prepared.

19. CONSENTS

Rothschild & Co has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

Numis has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

Peel Hunt has given and not withdrawn its written consent to the inclusion of its name in this document in the form and context in which it is included.

Grant Thornton UK LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given, and has not withdrawn its written consent to the inclusion of its accountant's reports set out in each of sections 1 and 2 of Part XIV (*Historical Financial Information of the Target*) and section B of Part XVI (*Unaudited pro forma financial information*), and has authorised the contents of these reports as part of this document for the purposes of item 1.3 of Annex 3 and item 1.3 of Annex 12 of Commission Delegated Regulation (EU) 2019/980. Its business address 30 Finsbury Square, London EC2A 1AG and it has no material interest in the Company or the Group.

20. THIRD PARTY INFORMATION

Where third-party information has been used in this document, the source of such information has been identified. The Company confirms that such information has been accurately reproduced and, so far as the Company is aware and has been able to ascertain from information published by such third-parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Company has not independently verified any of the data from third-party sources, nor has the Company ascertained the underlying economic assumptions relied upon therein. Similarly, internal surveys, industry forecasts and market research, which the Company believes to be reliable based upon the Directors' knowledge of the industry, have not been independently verified. Statements as to the Group's market position are based on recently available data.

21. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected on the Company's website at <https://www.marshalls.co.uk/> for a period of twelve (12) months from the date of publication of this document:

- the Articles of Association;
- the documents incorporated by reference into this document, as described in Part XIX (*Documents incorporated by reference*); and
- a copy of this document.

For the purposes of Rule 3.2 of the Prospectus Regulation Rules, this document and the Share Purchase Agreement will be published in printed form and available free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission at the Company's registered office, being Landscape House, Premier Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9HT. In addition, the document will be published in electronic form and be available on the Company's website at <https://www.marshalls.co.uk/>.

PART XIX

DOCUMENTS INCORPORATED BY REFERENCE

The table below sets out the documents of which certain parts are incorporated by reference into, and form part of, this document. Only the parts of the documents identified in the table below are incorporated into, and form part of, this document. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this document. To the extent that any information incorporated by reference itself incorporates any information by reference, either expressly or by implication, such information will not form part of this document for the purposes of the Prospectus Regulation Rules, except where such information is stated within this document as specifically being incorporated by reference or where the document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Reference document	Information incorporated by reference	Page number in reference document
<i>2021 Annual Report and Accounts</i>	Independent Auditor's Report	117-124
	Consolidated income statement	125
	Consolidated statement of comprehensive income	126
	Consolidated balance sheet	127
	Consolidated cash flow statement	128
	Consolidated statement of changes in equity	129-130
	Notes to the consolidated financial statements	131-165
<i>2020 Annual Report and Accounts</i>	Independent Auditor's Report	94-100
	Consolidated income statement	101
	Consolidated statement of comprehensive income	102
	Consolidated balance sheet	103
	Consolidated cash flow statement	104
	Consolidated statement of changes in equity	105-106
	Notes to the consolidated financial statements	107-139

The 2021 Annual Report and Accounts and the 2020 Annual Report and Accounts are available for inspection in accordance with section 21 (*Documents Available for Inspection*) of Part XVIII (*Additional Information*). These documents are also available at <https://www.marshalls.co.uk/investor/results-reports-and-presentations>.

PART XX

DEFINITIONS

“Acquisition”	means the acquisition of the entire issued share capital of the Target pursuant to the Share Purchase Agreement;
“Admission”	means the admission of the New Ordinary Shares to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange;
“Application Form”	means the personalised application form on which Qualifying Non-CREST Shareholders may apply for Open Offer Shares under the Open Offer;
“Application Letter”	means the application letter set out on page 3 of the Application Form;
“Articles” or “Articles of Association”	means the articles of association of the Company in force at the date of this document;
“BACS”	means the Bankers Automated Clearing Services;
“Board”	means the board of directors of the Company (as at the date of this document, unless otherwise stated);
“BSP”	means the Marshalls Bonus Share Plan 2015 (as amended from time to time);
“Business Day”	means any day (other than a Saturday or Sunday) on which banks generally are open for business in London (other than solely for settlement and trading in Euro);
“Capital Raising”	means the Firm Placing and the Placing and Open Offer;
“Capital Raising Shares”	28,824,114 Ordinary Shares proposed to be issued by the Company pursuant to the Capital Raising;
“certificated” or “in certificated form”	refers to a share or other security which is not in uncertificated form (that is, not in CREST);
“CHAPS”	means the Clearing House Automated Payment System;
“City Code”	means the City Code on Takeovers and Mergers of the UK;
“Closing Price”	means the closing middle market quotation of an Existing Ordinary Share as derived from the Daily Official List;
“CMA”	means the Competition and Markets Authority;
“Company” or “Marshalls”	means Marshalls plc of Landscape House, Premier Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9HT, a company incorporated in England and Wales with registered number 05100353;
“Completion”	means completion of the Acquisition pursuant to the terms of the Share Purchase Agreement;
“Conditional Placee”	means any person who agrees to conditionally subscribe for Open Offer Shares (subject to clawback to satisfy Open Offer Entitlements and Excess Open Offer Entitlements taken up by Qualifying Shareholders) pursuant to the Placing;

“Consideration Shares”	means the New Ordinary Shares issued to the Sellers pursuant to the Share Purchase Agreement at a price per Consideration Share of 680 pence;
“CREST”	means the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK is the operator (as defined in the CREST Regulations);
“CREST member”	means a person who has been admitted by Euroclear UK as a system-member (as defined in the CREST Regulations);
“CREST Regulations”	means the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended from time to time;
“CREST sponsor”	means a CREST participant admitted to CREST as a CREST sponsor;
“CREST sponsored member”	means a CREST member admitted to CREST as a sponsored member;
“Daily Official List”	means the daily official list of the London Stock Exchange;
“Debt Financing”	means the debt financing arrangements described in section 12.1(G) of Part XVIII (<i>Additional information</i>);
“Directors”	means the directors of the Company (as at the date of this document, unless otherwise stated);
“Disclosure Guidance and Transparency Rules”	means the disclosure guidance and transparency rules made under Part VI of FSMA (as amended from time to time);
“Enlarged Group”	means the Group following Completion of the Acquisition;
“Enlarged Share Capital”	means the expected issued ordinary share capital of the Company immediately following the issue of the New Ordinary Shares;
“Equity Issuance”	means the Capital Raising and the issuance of the Consideration Shares;
“EUWA 2018”	means the European Union (Withdrawal) Act 2018;
“Euroclear UK”	means Euroclear UK & International Limited, the operator of CREST;
“Excess Application Facility”	means the arrangement pursuant to which Qualifying Shareholders may apply for Excess Open Offer Shares in excess of their Open Offer Entitlements;
“Excess CREST Open Offer Entitlements”	means in respect of each Qualifying CREST Shareholder, the conditional entitlement to apply for New Ordinary Shares under the Excess Application Facility, which are subject to allocation in accordance with this document;
“Excess Open Offer Entitlements”	means, in respect of each Qualifying Shareholder, the conditional entitlement to apply for New Ordinary Shares under the Excess Application Facility, which are subject to allocation in accordance with this document;
“Excess Open Offer Shares”	means the New Ordinary Shares which Qualifying Shareholders will be invited to subscribe for pursuant to the Excess Application Facility;
“Ex-Entitlements Time”	means the time at which the Existing Ordinary Shares are marked ex-entitlement, being 8:00 a.m. on 7 April 2022;

“Existing Ordinary Shares”	means, in relation to a particular date, the Ordinary Shares in issue as at that date;
“FCA”	means the UK Financial Conduct Authority;
“FCA Handbook”	means the FCA’s Handbook of Rules and Guidance, as amended from time to time;
“Firm Placee”	means any person that has conditionally agreed to subscribe for Firm Placing Shares;
“Firm Placing”	means the conditional placing of the Firm Placing Shares on the terms and subject to the conditions contained in the Sponsor and Placing Agreement;
“Firm Placing Shares”	means the 13,435,487 New Ordinary Shares which are to be issued by the Company pursuant to the Firm Placing;
“Forms of Proxy”	means the form of proxy for use by Shareholders in connection with the General Meeting;
“FSMA”	means the Financial Services and Markets Act 2000 of England and Wales, as amended from time to time;
“General Meeting”	means the general meeting of Marshalls to be held on 28 April 2022, or any adjournment thereof, to consider and, if thought fit, to approve the Resolution;
“Group”	means the Company and each of its direct and indirect subsidiaries from time to time (where “subsidiary” shall have the meaning ascribed to it in the Companies Act 2006);
“Inflexion Funds”	means Inflexion Buyout V Investments LP and Inflexion Supplemental V Investments Limited Partnership;
“Investor Loan Notes”	means £133,627,261 12% unsecured investor loan notes 2027;
“Joint Bookrunners”	means Numis and Peel Hunt;
“Latest Practicable Date”	means 5 April 2022, being the latest practicable date prior to the publication of this document;
“Listing Rules”	means the listing rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended;
“Lock-Up Deeds”	means the lock-up deeds entered into between the Company and each of the Sellers on 6 April 2022;
“London Stock Exchange”	means London Stock Exchange Group plc;
“Management Loan Notes”	means £237,364 unsecured management loan notes 2027;
“Management Warranty Deed”	means the management warranty deed entered into between Marshalls Group Limited and certain Manager Sellers on 6 April 2022;
“Manager Sellers”	means the individuals listed in Part 2 of Schedule 1 of the Share Purchase Agreement;
“MAR”	means the Market Abuse Regulation EU 596/2014 as it forms part of retained EU law as defined in the EUWA 2018;
“Marley”	means Marley Group Plc of Lichfield Road, Branston, Burton-On-Trent, England, DE14 3HD, a company incorporated in England and Wales with registered number 13596495;

“Marley Acquisition”	means the acquisition by Monty Bidco Limited of Marley Limited on 30 August 2019;
“Marley Group”	means Marley and each of its direct and indirect subsidiaries from time to time (where “subsidiary” shall have the meaning ascribed to it in the Companies Act 2006);
“MIP”	means the Marshalls 2020 Management Incentive Plan (as amended from time to time);
“Monty Holding Companies”	means Monty Midco 1 Limited, Monty Midco 2 Limited and Monty Bidco Limited;
“New Ordinary Shares”	means the new Ordinary Shares to be issued by the Company pursuant to the Equity Issuance;
“Non-Taken Up Shares”	has the meaning given to it in section 4.4 of Part VII (<i>Letter from the Chair of Marshalls plc</i>) of this document;
“Notice of General Meeting”	means the notice of the General Meeting that is found at Part XXI of this document;
“Numis”	means Numis Securities Limited;
“Offer Price”	means 650 pence per New Ordinary Share issued pursuant to the Capital Raising;
“Official List”	means the official list maintained by the FCA pursuant to FSMA;
“Open Offer”	means the conditional invitation to Qualifying Shareholders to apply to subscribe for the Open Offer Shares and Excess Open Offer Shares at the Offer Price on the terms and subject to the conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Application Form;
“Open Offer Entitlements”	means entitlements to subscribe for Open Offer Shares allocated to a Qualifying Shareholder pursuant to the Open Offer;
“Open Offer Shares”	means 15,388,627 New Ordinary Shares which are to be issued by the Company pursuant to the Open Offer;
“Ordinary Shares”	means the ordinary shares of 25p in the capital of the Company (including, if the context requires, the New Ordinary Shares);
“Overseas Shareholders”	means Marshalls Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the UK;
“Peel Hunt”	means Peel Hunt LLP;
“Placing”	means the conditional placing of the Open Offer Shares, subject to clawback pursuant to the Open Offer, on the terms and subject to the conditions contained in the Sponsor and Placing Agreement;
“Prospectus” or “this document”	means this document, comprising a circular and a prospectus relating to the Company for the purpose of the Equity Issuance and Admission;
“Prospectus Regulation”	means the Prospectus Regulation (EU) 2017/1129, as it forms part of retained EU law as defined in the EUWA 2018;
“Prospectus Regulation Rules”	means the Prospectus Regulation Rules of the FCA made under section 73A of FSMA;

“Put and Call Option Deed”	means the put and call option deed to be made between the Company, Marshalls Group Limited and the Sellers;
“Qualifying CREST Shareholder”	means Qualifying Shareholders holding Ordinary Shares in uncertificated form;
“Qualifying Non-CREST Shareholder”	means Qualifying Shareholders holding Ordinary Shares in certificated form;
“Qualifying Shareholder”	means holders of Ordinary Shares on the register of members of the Company at the Record Time with the exclusion of the Restricted Shareholders;
“Receiving Agent”	means Computershare Investor Services PLC;
“Record Time”	means 6:00 p.m. on 4 April 2022, being the date specified in Part IV (<i>Expected Timetable of Principal Events</i>) on which a Shareholder must hold Ordinary Shares to be a Qualifying Shareholder;
“Registrar”	means Computershare Investor Services PLC;
“Resolution”	means the resolution set out in the Notice of General Meeting;
“Restricted Jurisdiction”	means any jurisdiction, including but not limited to Australia, Canada, Japan, New Zealand, the Republic of South Africa, Singapore, Switzerland and the United States of America, where the extension or availability of the Capital Raising (and any other transaction contemplated thereby) would (i) result in a requirement to comply with any governmental or other consent or any registration filing or other formality which the Company regards as unduly onerous, or (ii) otherwise breach any applicable law or regulation;
“Restricted Shareholder”	means, subject to certain exceptions, Shareholders who have registered addresses in, who are incorporated in, registered in or otherwise resident or located in, the United States or any other Restricted Jurisdiction;
“Rothschild & Co”	means N.M. Rothschild & Sons Limited, New Court, St. Swithin’s Lane, London EC4N 8AL;
“SAYE”	means the Marshalls Sharesave Plan 2015 (as amended from time to time);
“Sellers”	mean the Infexion Funds and the Manager Sellers;
“Senior Managers”	has the meaning given in section 8.2 of Part XVIII (<i>Additional Information</i>);
“Shareholders”	means the holders of Ordinary Shares from time to time;
“Share Plans”	means the SAYE, the BSP, the SIP and the MIP;
“Share Purchase Agreement”	means the share purchase agreement made between the Company, Marshalls Group Limited and the Sellers, the terms of which are summarised in Part X (<i>Terms of the Acquisition</i>) of this document;
“SIP”	means the Marshalls Employee Share Incentive Plan (as amended from time to time);
“Sponsor”	means Rothschild & Co acting in its role as sponsor as defined in the Listing Rules;

“Sponsor and Placing Agreement”	means the sponsor and placing agreement dated 6 April 2022 between the Company, the Sponsor and the Joint Bookrunners, details of which are set out in section 12.1(B) of Part XVIII (<i>Additional Information</i>) of this document;
“stock account”	means an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
“Target”	means Marley;
“Underlying EBITDA”	means the non-IFRS financial measure that reflects earnings before interest, tax, depreciation and amortisation excluding the effect of certain items (as explained in the Marley Financial Information);
“UK”	means the United Kingdom;
“uncertificated” or “in uncertificated form”	refers to a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“USE Instructions”	means Unmatched Stock Event instructions, as defined in the CREST Regulations;
“VAT”	means value added tax; and
“Viridian Acquisition”	means the acquisition by Marley Limited of Viridian Solar Limited on 1 April 2021.

PART XXI

NOTICE OF GENERAL MEETING

Marshalls PLC

(incorporated and registered in England and Wales with registered number 05100353)

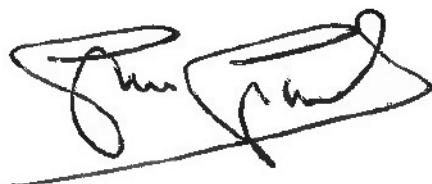
NOTICE IS HEREBY GIVEN that a general meeting of Marshalls plc (the “**Company**”) will be held at 09.30 a.m. on 28 April 2022 at Landscape House, Premier Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9HT (the “**General Meeting**”) for the purposes of considering and, if thought fit, passing the following resolutions, proposed as ordinary resolutions:

Unless expressly stated otherwise, terms defined in the prospectus of the Company dated 7 April 2022 shall have the same meaning in this Notice of General Meeting.

ORDINARY RESOLUTIONS

1. THAT the proposed acquisition by the Company (through its wholly owned subsidiary, Marshalls Group Limited) of all of the equity interests of Marley Group Plc and its subsidiaries from Inflexion Buyout V Investments LP, Inflexion Supplemental V Investments Limited Partnership and certain management sellers (together the “**Sellers**”) (the “**Acquisition**”) (in part consideration for which the Company will issue new ordinary shares in the capital of the Company to the Sellers) pursuant to the terms and subject to the conditions contained in the sale and purchase agreement between the Company, Marshalls Group Limited and the Sellers (the “**Share Purchase Agreement**”) be and is hereby approved and the board of directors of the Company (or any duly constituted committee thereof) (the “**Board**”) be and hereby is authorised to take all such steps as may be necessary, expedient or desirable in relation thereto and to carry the same into effect with such modifications, variations, revisions or amendments (provided such modifications, variations or amendments are not of a material nature) as the Board may in its absolute discretion deem necessary, expedient or desirable.

By Order of the Board



Shiv Sibal
Company Secretary

7 April 2022

Landscape House, Premier Way, Lowfields Business Park, Elland, West Yorkshire, HX5 9HT

NOTES TO THE NOTICE OF GENERAL MEETING

1. Any member entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend, speak and vote instead of the member. A member can appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attaching to different shares held by the appointing member. Completion and return of a Form of Proxy will not preclude a member from attending and voting at the General Meeting themselves, should they subsequently decide to do so.
2. A Form of Proxy which may be used to make this appointment and give proxy instructions accompanies this Notice. If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact the Company’s Registrars, Computershare

Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6AH. As an alternative to completing a hard copy Form of Proxy, proxies may be appointed electronically as set out on the form.

3. Your proxy could be the Chair of the General Meeting or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the General Meeting for your vote to be counted. Details of how to appoint the Chair of the General Meeting or another person as your proxy using the Form of Proxy are set out in the notes to the Form of Proxy. In the current circumstances, we strongly recommend that you appoint the Chair as your proxy. Appointing a proxy does not preclude you from attending the General Meeting and voting yourself: in these circumstances, your proxy appointment will automatically be terminated. A proxy appointed by more than one member has one vote for and one against the Resolution if at least one member who appointed the proxy has voted for the Resolution and at least one against.
4. Any member wishing to vote electronically in advance of the General Meeting should visit www.investorcentre.co.uk/eproxy where there are full instructions on how to do this. Votes submitted electronically in advance should be cast by no later than 09.30 a.m. on 26 April 2022. If you return paper and electronic instructions, those received last by the Registrars before the deadline will take precedence. Electronic communication facilities are available to all shareholders and those using them will not be disadvantaged.
5. A copy of this Notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "**Nominated Person**"). The right to appoint a proxy cannot be exercised by a Nominated Person; it can only be exercised by the member. However, a Nominated Person may have a right under an agreement between them and the member by whom they were nominated to be appointed as a proxy for the General Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
6. In order to be valid, any Form of Proxy and power of attorney or other authority under which it is signed, or a notarially certified or duly certified copy of such power or authority, must reach the Company's Registrars, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6AH, not less than 48 hours before the time of the General Meeting or of any adjournment of the General Meeting or, in the case of a poll taken subsequently to the date of the General Meeting or adjournment of the General Meeting, 24 hours before the poll is taken at which the Form of Proxy is to be used. Forms of Proxy may be returned by post or internet as set out on the forms. The Company may require reasonable evidence of the identity of the member and the proxy, the member's instructions (if any) as to how the proxy will vote, and where the proxy is appointed by a person acting on behalf of a member, the authority of that person to make the appointment.
7. To change your proxy instructions you may return a new proxy appointment using the methods set out above. Where you have appointed a proxy using the hard copy Form of Proxy and would like to change the instructions using another hard copy Form of Proxy, please contact Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6AH. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
8. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's Register of Members in respect of the joint holding (the first named being the most senior).

9. Only persons entered on the Company's Share Register at 6.30 p.m. on 26 April 2022 or, in the event of an adjournment of the General Meeting, only persons entered on the Company's Share Register at close of business on the date (excluding any non-working days) that is two days before the adjourned meeting, shall be entitled to attend and vote at the General Meeting or adjourned meeting (and for the purpose of the determination by the Company of the votes they may cast). Changes to entries on the Register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the General Meeting or adjourned meeting.
10. The Company's issued share capital at 5 April 2022 (being the latest practicable date prior to the publication of this notice) was 200,052,157 ordinary shares. The Company held no shares in treasury. As at 5 April 2022, the total number of voting rights in the Company was therefore 200,052,157.
11. Holders of ordinary shares are entitled to attend and vote at general meetings of the Company (including the General Meeting). In accordance with the Articles of Association of the Company, notice is hereby given that the resolution at the General Meeting is to be decided by way of poll rather than a show of hands as the Board believes that this is more representative of shareholder voting intentions, as shareholders' votes are counted according to the number of shares held. On a poll vote, every member entitled to vote and present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each share carrying voting rights of which that member is the holder. Shareholders are reminded of their right under section 360BA Companies Act 2006 to request, within thirty days of the General Meeting, information which enables them to determine that their vote on a poll at the general meeting was validly recorded and counted by the Company.
12. The Company (and any third party to whom it discloses such data in connection with the holding of the General Meeting, including the Company's Registrars) may process personal data of attendees at the General Meeting. This may include webcasts, photos, recordings and audio and video links, as well as other forms of personal data. The Company shall process such personal data in accordance with its privacy policy, which can be found at <https://www.marshalls.co.uk/commercial/legal/privacy-policy>.