Marshall of Cambridge (Holdings) Ltd

Annual Report 2010

integrity
adventure
performance

“I should like to thank our customers for their loyal support and all our staff for their efforts on behalf of the Group during these testing times.”

Contents

Chairman's Statement

Our results for 2010 demonstrate the advantages which we derive from having the four business activities of Aerospace, Land Systems, Motor Retail and Property under one collective ownership.

Although Aerospace has suffered significantly during 2010, particularly as a result of the recent Strategic Defence and Security Review (SDSR), the Group has, nevertheless, achieved profit and a strong cash flow from the excellent achievements of the other businesses. This has enabled us to invest £31m in new assets and a further £8.5m in new businesses to support our future growth.

This is a report of sharp contrasts as our Motor Group and Leasing companies have had an exceptionally good year, expanding our franchises and our sales with the result that we now rank as the second largest privately owned retail motor group and in the top ten overall. We added no fewer than fifteen new franchises in 2010; one of the largest acquisitions was of five Mercedes and two smart dealerships in the North West of England whilst the addition of further Honda and Seat franchises and a first Suzuki dealership have also strengthened us. I am pleased that further expansion is planned for the current year. We have also been delighted to have been selected as a finalist in so many of the Motor Industry and Manufacturers' Awards and have won a substantial number. The results of the Great Place to Work™ survey and our rankings in the manufacturers' customer satisfaction league tables have also been widely applauded within the motor trade.

Our Marshall Land Systems business also exceeded its budget and its return on investment objectives. We are very pleased to have won substantial home and overseas orders for our innovative mobile CT scanner shelters, specialist laboratories and hospital units, and have made good progress with the manufacture of the load beds for the British Army support vehicles. Progress has also been made in our restructured Marshall Fleet Solutions operations, which incorporate our revitalised Thermo King refrigeration activities.

The setback for us has been Marshall Aerospace which was badly hit by the Government's SDSR decision to withdraw the TriStar from service by 2013, and therefore to discontinue the important TriStar MMR programme for which we had completed the development of the trial aircraft and where we had invested heavily in advance of the planned conversion of the RAF TriStar fleet. There have also been development costs on two product initiatives which we have subsequently decided not to pursue. However, I am delighted to be able to report that we have won an order to design, manufacture and supply auxiliary integral tanks for the Boeing KC-46A aircraft for the USAF Air-to-Air Refuelling Tanker project and we have every confidence that this will match the growing success which we are achieving on the P8 Tanks which we are providing to Boeing Military.

Cambridge Airport itself is making progress in developing additional traffic and revenue, but on the horizon is the need for substantial investment in our airport infrastructure.

We are proud of our reputation in so many local and international arenas, and of the important contribution which we continue to make to our Armed Services as well as taking pleasure and pride in the growth which is now being achieved in our core Motor Group.

I hope that after reading about the various achievements of our businesses in the Operating Review you will feel as excited as I do about the huge breadth of activities in which we are engaged.

We remain positive for the future, whilst recognising that there will be many challenges ahead for all sectors of our business, and I am pleased that we feel able to recommend a final dividend of 1p payable on both our Ordinary and NVPO shares in July, in addition to the interim dividends of 0.5p on the Ordinary shares and 2.5p on the NVPO shares that were paid in December 2010.

At the end of 2010, Martin Broadhurst retired from the Board and from his role as Chief Executive of Marshall Aerospace which he had held for 15 years. He oversaw many important contracts and projects including the development of the Hercules HIOS and TriStar TRIOS contracts which have been role models of partnership between the industry, manufacturers and the RAF.

We have found a highly qualified successor in Steve Fitz-Gerald, who has taken over this pivotal role and who I am very pleased to welcome to the Group.

I should also like to take this opportunity to record my thanks to John Stancliffe, who has been a much trusted and diligent member of our Board for almost 19 years, and who has decided he should not seek re-election to the Board at our Annual General Meeting. During his Board tenure, he has been a valuable and conscientious member, serving latterly as Chairman of the Audit Committee as well as, in recent years, carrying out the very important role of Deputy Chairman. I have valued highly his advice and immense contribution during my time as Chairman.

Finally, I should again like to thank our customers for their loyal support and all our staff for their efforts on behalf of the Group during these testing times. I should also like to express my gratitude to my fellow Directors on the Board for their unflinching support, advice and encouragement which I have very much appreciated as we continue to face the challenges and opportunities which lie ahead.

Sir Michael Marshall
Chairman and Chief Executive

Operating Review - Group

Our results were marred by the constraints on public spending and consequent cutbacks affecting Marshall Aerospace, but the development of the Group has been sound, establishing a platform for future business and profit growth.

Marshall Motor Group, ably led by Daksh Gupta, continued its noteworthy upward trajectory in profit, operational excellence, and growth through acquisition, and the philosophy that lies behind this nationally recognised success is outlined later in this Operating Review. The strength of the management team and the leadership of the company were particularly evident in the acquisition or start-up of 15 dealerships in the last year. The addition of these franchises, and their subsequent integration into Marshall, was executed with precision, sensitivity, and commercial acumen over a short period and all are well positioned to be successful in 2011.

Marshall Land Systems (MLS), under Peter Callaghan's leadership, had an exceptionally good year although the profits were depressed by the inclusion of the results of the Marshall Fleet Solutions business which suffered in 2010. MLS consolidated its first class reputation for on-time delivery of complex military shelter and vehicle systems to the UK Armed Forces and the strategy to develop overseas customers is outlined later in this Operating Review. It assimilated the Marshall Fleet Solutions business, which comprises our Thermo King and tail lift servicing operations, at the end of 2009 with a view to developing the national coverage of skilled mobile engineers and steering these businesses towards incorporating a military element. This process has been slower than anticipated but a plan has been developed and progress is being made.

Marshall Aerospace – Steve Fitz-Gerald joined the company on 1st January 2011 extending his career in the aerospace industry. Some of the difficulties which we have faced as a result of the cancellation of the TriStar avionics modernisation programme, after the Strategic Defence and Security Review in October, are expanded on later in this Operating Review. He is developing a strategic plan to drive the company forwards in the post-SDSR world and is making some key management appointments to enhance our focus on project delivery, customer satisfaction, and aligning the business with the needs of the large aerospace prime contractors. Marshall Aerospace enjoys a national and international reputation as one of the most capable and committed independent platform design and integration companies operating in the aerospace market and the newly formed team is working to enhance this position.

Cambridge Airport has, for many years, been run by Marshall Aerospace primarily as a front door for the factory. Following the decision to suspend any plans to develop the land, we have concentrated our efforts on positioning the Airport for growth and revenue. By the end of 2010, the Airport was devolved from the aerospace operations and Archie Garden was appointed as Managing Director. With a clear focus on winning traffic through customer service and operational safety, Cambridge Airport is now seeing growth in business jet aviation and equine traffic. The aim is to sign up with a 'city hop' commercial operator by the end of 2011 for scheduled traffic to a small number of select routes, and to prepare the Airport for the busy and potentially lucrative Olympic Games traffic in 2012.

Lifting our Performance - Despite the disappointment of the financial result from Marshall Aerospace, and its effect on the profit of the Group, we remain committed to delivering the strategy, developed in 2009, to lift the financial performance of all of our operating companies facilitated by the development of our people and using additional financial and non-financial performance indicators. We have delivered solid progress in enhancing our customer service, leadership, communication and employee engagement in each of our operating companies.

Developing our Business - 2010 was also a good year for business development which should help to mitigate the reduction in UK military work in 2011 and beyond. In Motor Group, we expanded organically and through acquisition; we renewed our relationship with Mercedes whilst also increasing representation with Honda, Volvo, Seat, Suzuki, Kia and Mitsubishi. Land Systems has had success in developing significant business opportunities in Canada, Sweden, Norway, Saudi Arabia and Australia. Marshall Aerospace has made significant progress by winning the contract to supply Boeing with the auxiliary fuel tanks for the US KC-46A in flight refuelling aircraft and a number of other major contracts to supply highly engineered products to major aerospace prime contractors and equipment suppliers.

"*Change the Gear,*
Hold the Values."

Operating Review - Marshall Aerospace

In the planning process conducted by the company during the last quarter of the previous year, 2010 was predicted to be a challenging year. A number of major development contracts were winding down and opportunities to replace this diminishing workload were limited due to market conditions.

Key strategic targets for work were identified, but none were expected to yield significant work for the year. Our core business of providing operational support to the Royal Air Force and other overseas military operators was expected to continue to contribute strongly to our performance. Alongside this, we progressed our strategy of building our Technology Products and Services business, aimed at leveraging our design, test and certification capability to offer products and services to major Original Equipment Manufacturers (OEMs).

The election of the Coalition Government in May resulted in a major spending review which cut across all areas of public expenditure and subsequently, the Strategic Defence and Security Review (SDSR) was published in October. The impact on the company was felt immediately, with the cessation of the avionic modernisation contract underway on the TriStar fleet and the out-of-service date of the Royal Air Force C-130J being brought forward.

This TriStar cancellation and the cost of maintaining our capability, when levels of work were low, had a major impact on the profitability of Marshall Aerospace for 2010.

However, the company believes that the right stance is to continue to pursue strategic relationships with major prime contractors for the support of military aircraft and also to increase emphasis on the civil market. We have strong, long-standing relationships with the UK and overseas air forces and with most of the major OEMs with whom we will continue to work to provide excellent in-service support solutions to them and their customers.

Operational Support Services

Operational Support Services remains the largest element of our business. Performance on the Hercules Integrated Operational Support (HIOS) and TriStar Integrated Operational Support (TRIOS) contracts continued to be excellent and we have maintained our reputation as a highly responsive and innovative partner to the Royal Air Force in ensuring that these heavily utilised assets are ready and available for use, fully equipped for their designated roles. We have also developed a number of innovative cost saving solutions (Tucano Upgrade, Air Transport Partner, Maritime C-130) which offer this customer measurable benefit in an era of severe budget constraint.

We have also continued to support other military customers, undertaking a range of programmes in the UK for the Swedish Air Force, the Royal Netherlands Air Force, the Danish Air Force and the Austrian Air Force. The acquisition of the C-130J by Norway presents an opportunity for new business through a developing relationship with Lockheed Martin, with whom we have signed an important General Design Approval which cements our excellent working relationship and provides opportunities to bid jointly for future work. Meanwhile, our offices in Canada and Australia continue to perform well, although both face increased competition and challenge as a result of government procurement policies.

Looking forward, there are now an increasing number of opportunities to secure new complex project work which will enable the company to use its comprehensive capability to its full extent and there are some major opportunities for in-service support arrangements on new aircraft types. The strength of our relationships and our partnering skills ensure that we are well placed to play a major role in providing an integrated support solution to both our customers and partners.

Technology Products and Services

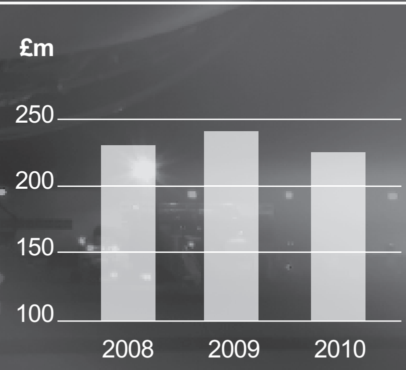
This business had a year of mixed fortunes. On the downside, we invested a great deal of effort in partnering work and an engineering solution for fuel tank inerting in response to a Federal Aviation Authority regulatory requirement, due for mandatory installation in commercial aircraft by 2017. It was disappointing that we were unable to bring our solution to the market, which led to a significant write off of development costs on this venture.

On the positive side, we have secured a contract with Boeing as the provider of auxiliary tanks to the KC-46A programme, the next generation tanker for the US Air Force. This is a major programme for the company and builds on the range of tanks which we are now providing to Boeing and Airbus, alongside other elements of aircraft fuel systems including air-to-air refuelling probes.

In the immediate future we can expect to see significant growth in this part of our business. We are pursuing opportunities with Boeing and with other OEMs such as Embraer and Honda Jet.

"On time, on cost delivery is at the core of customer satisfaction."

Turnover



Key Indicators

Turnover	-5.4%
Ontime Delivery	90.4%
Overall Quality	93.8%
Order Intake	+90.9%

As a result of expected growth in demand for our products and in response to some issues that we have faced with delivery, we have strengthened the management team in this division. We are now in a position to grow this business, with confidence in our ability to deliver excellence to our customers.

Slingsby Advanced Composites, our North Yorkshire based composites company which we acquired in 2009, has been integrated effectively into the organisation. We have rationalised the business and closed the Prestwick facility. With its specialist skills and strong relationships with BAE Systems, Rolls Royce and Lockheed Martin, it is an important addition to the overall capability of Marshall Aerospace.

People Services

Aeropeople has had another difficult year. After an initial upturn in 2010, the recession which hit hard in 2009 regained a firm hold on the business, necessitating a further round of cost reductions to rebalance overheads with revenues. Line station activity has been strong and we have continued to develop our business in the Middle East with permanent placement activity and the provision of contract labour.

Developments in the law surrounding engagement of overseas labour in the UK represent a future hurdle for Aeropeople. We are working with the Migration Advisory Council alongside other companies in the aerospace and recruitment industries to try to ensure that the impact on our capacity to support our customers is minimised.

Early signs for 2011 are better with revenues running ahead of plan and prospects in the Middle East are also beginning to show positive signs.

Aviation Services

Business Aviation had a good year supporting its key customer which has resulted in early 2011 in a three year extension to the support contract with NetJets. We have directed effort toward streamlining our business process, which has reduced our business cycle time dramatically and delivered better and faster information flow to our customers. We are now focusing effort on developing a strategy for the business and attracting new customers to Cambridge.

The Airport started the year with some difficult weather conditions and a deteriorating runway surface. In the middle of the year, the runway surface was coated with a slurry layer to extend its life pending a major strengthening programme, which will be undertaken post 2012. Further investment was made to enhance our snow clearing and cold weather management equipment, with the result that during the extreme weather experienced in November and December, Cambridge Airport remained open when other major airports such as Heathrow and Gatwick closed.

At the tail end of the year, the operational management of the Airport was changed to report directly to the Group Chief Operating Officer. The Airport focus is on developing as an alternative destination for London traffic. With a location which is outside the restricted airspace area, we are in a position to capitalise on the unique opportunity presented by the Olympic Games in 2012.

Performance, Integrity and a Spirit of Adventure

We have restructured the company from one of devolved responsibilities to a more conventional model of central service provision to the business streams. We have started to assemble a team of industry-leading executives who are working to align the company with our central Group values of outstanding customer service and employee engagement whilst focusing business development on our relationships with the aerospace OEMs.

Delivering to our Customers' Needs

Marshall Aerospace is proud of its reputation for delivery of complex aircraft modifications and aerostructures against tight time requirements. This requires first class engineering and production and a rigorous approach to project management.

We have conducted an exhaustive review of our processes from the opportunity identification stage to the product support stage. The "Life Cycle Management" initiative is the first important step towards developing a robust project management culture throughout Marshall Aerospace. In parallel, we are recruiting and training skilled project managers and ensuring that our departments are able to support a project management organisation.

Project management skills are also being applied to winning bids whilst adhering to the Shipley Business Development processes. The first major bid win using this discipline is the KC-46A auxiliary fuel tank proposal to Boeing which should yield in excess of $200m in revenues over the next several years.

On time, on cost delivery is at the core of customer satisfaction and this forms one of the cornerstones of the Group strategic framework. Marshall Aerospace is striving to become an industry leader in reliable delivery and this remains one of our core objectives over the coming years.

Engaging our People

Another cornerstone of the Group strategic framework is the development of our people. Marshall Aerospace has always been strong in teamwork and we are working hard to harness this through enhanced communications, leadership, and performance management.

We are also looking forward to engaging our people in the Great Place to Work™ employee survey this year. This survey has been successfully used by the Motor Group and is becoming an important measurement tool.

We have a longstanding commitment to learning and development and ensure that all our people are trained appropriately for the work they are expected to undertake. We also need to ensure that our management is appropriately trained to bring out the best in those people. We are redoubling our efforts towards embedding a high performance culture where ownership, accountability and empowerment are critical success factors. Encouraging a culture of proactivity and openness to new approaches and methods of working will also be fundamental to our future.

Developing Critical Partnerships

Our suppliers are critical to our success. We are working hard to ensure that we have the right partnering arrangements in place to match our capabilities with the requirements of the customers and current technologies whilst continuing to outsource elements of our work where that provides the best outcome for our customers. Supply chain management is key to our success and we are delighted to have recently received commendation from Boeing on the work we have done on the Boeing P8A MMA Tanks programme, in which our supply chain metrics were noted to be ‘best in industry’.

Summary and Outlook

With a new team fully committed to ensuring that our organisation can deliver to customers requirements without time or cost penalties, and an enhanced focus on developing business through our relationships with OEMs, Marshall Aerospace is uniquely placed as one of the most capable independent aerospace integrators to grow and prosper and enhance our reputation for quality, innovation, and delivery.

Operating Review - Marshall Motor Holdings

2010 built on the recovery which started in 2009. It was a record year for both Marshall Motor Group and Marshall Leasing. Towards the end of the year this transformation of the business was recognised when it was announced that Marshall is now a Top 10 dealer group and the second largest privately owned motor group in the UK.

MARSHALL MOTOR GROUP

Market Overview

The new car market in 2010 grew by 1.8% to just over 2 million units, but this increase disguised some significant shifts in the market, especially during the latter part of 2010 when new retail sales saw a steady decline, nationally, following the end of the Government's scrappage incentive scheme. The corporate and fleet market grew by 10% as businesses started to replace the vehicles they had not changed in 2008 and 2009, but nationally the private retail market fell by 5.6%. This pattern has carried on into 2011 as consumer confidence remains unsettled.

It is clear that the used car market was also down in the year, by around 6%. Some of this decline can be attributed to the success of the scrappage scheme which definitely encouraged traditional used car buyers to buy new cars.

Marshall Performance

Marshall continues to outperform the market. Like-for-like turnover grew by 11.2% in 2010, with overall turnover being up by 28.5% to £581m, whereas our peer group saw, on average, a 2.5% fall in turnover during the year. We sold 11,602 new vehicles in the year, up 14.1% on 2009 (up 3.2% like-for-like compared with the market which was down 5.6%). Used car sales grew by 16.3% overall (up 6.1% like-for-like compared with a market down 6%) to 16,619 units. Following our strategic decision to enter the corporate market aggressively in 2009, our corporate and fleet sales were up 72% to 3,707 in 2010 (up 43% like-for-like compared with a market which was up just 10%).

Our labour hours sold in the year increased by 11% over 2009, and 2.1% on a like-for-like basis, whilst the important measure of service absorption increased again from 66% to 77% (75% like-for-like) at a time when the industry's absorption declined from 68% to 61%.

Strategy

Our strategic vision has not altered since 2008 and remains that we will strive to be regarded as the UK's premier automotive retail and leasing group - meaning the best, not the biggest.

We are very clear that the way we will achieve that vision is through the performance optimisation of the business; specifically focused on four key operational levers:

- Delivering an extraordinary experience to our customers at every opportunity, thereby ensuring outstanding customer satisfaction;
- Demonstrating retailing excellence in everything we do, internally and externally, by consistently adopting robust processes;
- Building strong relationships with our brand partners and key suppliers; and
- Being a great place to work for our colleagues.

This strategy clearly aligns itself with the overall Group strategy of driving and improving performance as well as growing the business for the future.

There is increasing evidence that we are heading in the right direction which is perhaps best illustrated by the 11 major industry awards which we have received in the last year, including Best Dealer Group awarded by Motor Trader magazine in July 2010.

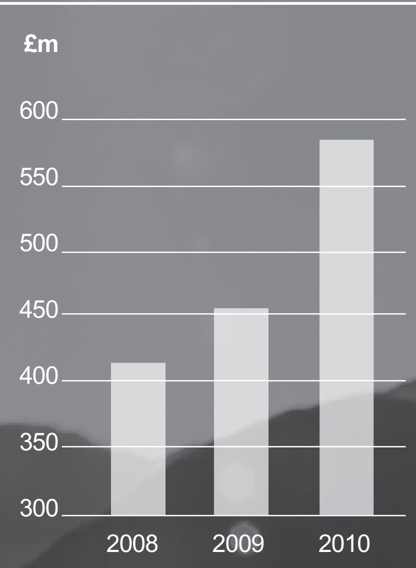
Growth

After a good year in 2009, when we added seven new franchises to the Group's portfolio, in 2010 we added a further fifteen. Eleven of these were through acquisition, one was a new site and three were added using existing premises.

Narborough Honda, Mount Sorrel Honda, Leicester Seat and Leicester Suzuki were acquired in February 2010 from the Francis Group, another family-owned business. Five Mercedes-Benz franchises in Blackburn, Blackpool, Bolton, Preston and South Lakes, and two smart franchises in Blackpool and Bolton were acquired in October 2010 and make up the Mercedes-Benz MA5 market area. We opened the Volvo operation in Nottingham to replace the previous Volvo business which operated in the city. The Melton Mowbray used car site occupies our existing premises close to our Land Rover and Volvo franchises in that town. The Mitsubishi business is now based in a previously empty building on our own land in Peterborough whilst Kia sits alongside our Bedford Peugeot business following a redevelopment of that site.

"Delivering an extraordinary experience to our customers at every opportunity."

Turnover



Key Indicators

Turnover	+28%
New Retail Units	+14%
Used Retail Units	+16%
Corporate & Fleet Units	+72%
Service Net Profit	+21%
Parts Net Profit	+31%
Bodyshop Net Profit	+3%

In line with our policy to build strong relationships with our manufacturer partners, each of these has been completed only with the full support and backing of the manufacturer.

The growth agenda continues in 2011 and we have identified further acquisitions which could add additional franchises. The completion of these acquisitions would augment Marshall Motor Group's current base of 62 franchised dealerships.

Our growth has been substantially funded by the profits and cash generated in the existing businesses.

Operational Excellence

The reorganisation into franchise-based divisions at the end of 2008 ensures that we are able to share best practice across all businesses with the same brand and to assimilate new outlets into the Motor Group by utilising, fully, the skills and resources in the company. We continue to evolve and develop our business processes to give each of our operations the support and guidance which they need to maximise every opportunity.

One of the most powerful tools available to all managers in Motor Group is Phoenix, our own in-house developed on-line management information reporting tool. This provides real time information to the business in an easy-to-read format and has recently been recognised at the industry's 2011 Automotive Management AM Awards as the Best Digital Initiative.

Customer Satisfaction

We continue to focus heavily on driving up levels of customer satisfaction everywhere with all of the manufacturer CSi programmes being tracked daily and reported weekly to maintain the pressure throughout the business on this critical measure of success. In 2010, a number of our franchises again achieved top place in national rankings for their manufacturers, whilst overall 86% were above national average for sales and 84% above national average for aftersales.

In the last two years, the number of customer complaints received in head office has halved, whilst at the same time the Motor Group has doubled in size. In addition to addressing every complaint immediately, we also record them on a central database and publish league tables monthly to reinforce the message to every colleague in the company. We deal with over 400,000 customers a year and whilst our ultimate goal is to reduce the number of complaints to zero, we are encouraged that the 197 recorded in 2010 is already a low ratio of complaints to transactions.

Brand Partner Relationships

We are wedded to our belief that forming strong, genuine and transparent relationships with our manufacturer partners is critical to the success of our shared goals and objectives. In particular, the unequivocal support and approval of our manufacturer partners is vital to our growth plans and acquisitions.

Great Place To Work™

Our success is inextricably linked to the engagement levels of every colleague in the company; unless we can all take pride in who we work for and what we do, it is unlikely that we will be able to deliver to the high standards sought by the Group and our manufacturer partners.

There are two key measures of colleague engagement in Motor Group. The first is our notably low employee turnover rate of 22% which is an improvement on the 27% for 2009. It is also substantially better than the industry average of 35%.

The second measure is the annual staff survey which we undertake each year. We are signed up with the Great Place to Work Institute, an independent organisation which surveys the employees of some 5,000 UK-based companies and organisations every year. The results of these surveys, along with the top performers, are published in the Financial Times. In 2010, for the second year running, we achieved a substantial growth in our overall score from 63% to 70%. This score now takes us into the top 20% out of the UK companies which take part in the survey and our ultimate goal is to become a Top 50 Company (i.e. top 1% of employers) within a few years. Several of our departments achieved scores which would have placed them in the Top 50 in 2010.

MARSHALL LEASING

Marshall Leasing has again enjoyed substantial success in 2010. Our funded fleet increased in size by 8%, compared with a fleet size drop of 4% across the largest 50 contract hire companies.

Our sales team was particularly active throughout the year, and, in a market which has proved turbulent for many of our competitors, has been able to offer a stability and consistency of service which has proved attractive to many prospective customers. This has resulted in the addition of a record number of new, substantive accounts. These, and the healthy number of active prospects, should enable us to sustain, and indeed increase, our growth through 2011 and beyond.

Our profit performance for the year was robust, and significantly improved on 2009, itself a good year. The used car market was strong throughout most of 2010, with increased demand meeting a reduced supply of used vehicles. In consequence, we enjoyed relatively high levels of disposal margins, particularly in comparison with the difficulties experienced in 2008. Meanwhile, increased focus on our maintenance control department has paid dividends in the form of increased levels of maintenance surplus.

We benefit from the strength of the Group, which allows us access to funding at competitive rates. This, coupled with our strategy for funding, has enabled us to drive through strong margins in this area.

We continue to work closely with our Motor Group colleagues, and have now streamlined processes for vehicle purchasing and disposal aimed at maximising the overall Group benefit in both areas.

We have always sought to differentiate ourselves from the competition on the basis of excellence in customer service delivery which was underlined in 2010 when we won the inaugural ACFO (Association of Car Fleet Operators) award for Fleet Service Company of the Year. The award is for the fleet service company trading in the UK during 2010 which is viewed by ACFO members as having provided the best overall combination of quality products, service, integrity, and understanding of the requirements of fleet operators. That this award was based on the votes of Fleet Managers across the country, effectively our clients and prospects, made it doubly welcome. Certainly, it can only help our sales effort going forward.

We fully intend to build on the success achieved in 2010, and have already started 2011 well, with strong performances across all areas of the business. Clearly, the economic outlook remains uncertain, but we are determined to maximise our potential for both growth and profitability.

Summary and Outlook

2010 was a record year for Marshall Motor Holdings in terms of growth, customer service, employee engagement, industry recognition and profitability and we hope to build on this in 2011. We remain cautiously optimistic about our position in the market in 2011 but will be monitoring the potential impact on consumer spending from any change in rising interest rates as well as the supply chain restrictions arising from the earthquake in Japan.

Operating Review - Marshall Land Systems

Marshall Land Systems (MLS) had a successful year in both the delivery of projects and raising its market profile whilst contributing to the Group's overall profitability. The need to develop markets outside its traditional base with the UK Ministry of Defence (MoD) has resulted in a year where the company has sought to expand its reach into overseas markets, whilst still providing the MoD with a first class service performance.

A key part of this strategy was the establishment of a branch office in Norway in order to support the three hospital systems, previously supplied, and also to expand within the Scandinavian region. Another important target market is Australia where significant bids in 2010 included the Australian Project Land 121 tender. As a result, we set up a wholly owned Australian subsidiary and engaged with the Australian Department of Defence (DoD) resulting in the identification of several significant opportunities with both DoD and local industry. Similar development initiatives are underway in South Africa, Canada and the Netherlands.

Attendance at international exhibitions and other events has raised the profile of MLS and has allowed the formation of a joint venture with Plasan, to provide sophisticated protection products. Additionally, the Marshall Fleet Solutions business has been integrated into the sub-group during the year, which is expected to benefit both our military and civilian activities.

Outstanding customer service remains at the heart of our business process. MLS prides itself on regularly exceeding customers' expectations with regard to on-time and on-cost delivery of sophisticated products and services. The UK MoD's supplier relations team has recognised MLS with one of the highest ratings. This reflects well on the hard work put in by MLS's key asset, namely its dedicated and highly-skilled work force.

Marshall Specialist Vehicles (MSV)
2010 was an excellent year for MSV with the company performing well above expectations whilst maintaining consistent levels of product quality. This was achieved in an environment where MoD started to look more critically at what it required from its key suppliers.

MSV has further developed its systems engineering and systems integration capabilities, and enhanced its reputation for the timely delivery of compliant, high specification systems. A co-operative and supportive approach whilst, at the same time, ensuring best value for our customers, remains a paramount objective.

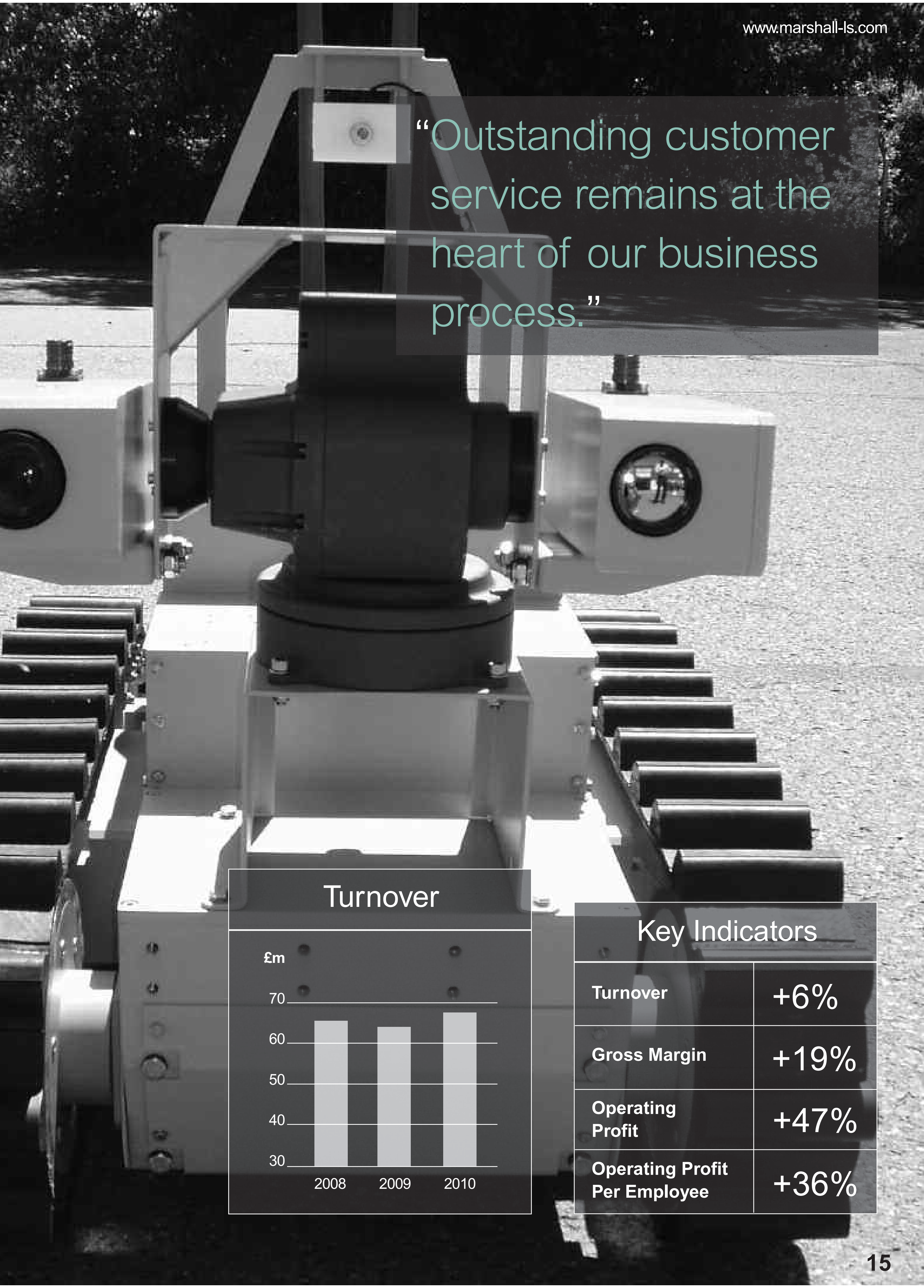
We have built on the excellent relationships with our major customers in MoD, GCHQ and Thales, at the same time establishing new partnerships with Thales Australia, EADS, Selex and Allen Vanguard. We were delighted to receive a number of unsolicited commendations during 2010 for our performance with these customers.

A reputation for supplying highly integrated, deployable laboratory systems to the UK and North America has been reinforced and our focus and commitment in this area has led to the development of collaborative relationships in Canada and Holland.

2010 saw the delivery of the Watchkeeper unmanned air vehicle ground control stations and the associated transportation modules. Both unit types created new integration standards, particularly with regard to vibration management.

All of this was backed up by our expanding customer support business stream which provides effective and efficient operational support to our customers wherever our equipment is deployed.

Marshall Vehicle Engineering (MVE)
MVE delivered 1,422 Support Vehicle load beds in 2010, bringing the number produced to date to in excess of 4,500. These, together with 88 load beds produced for the mine-protected Wolfhound vehicle (produced by Force Protection) which is now deployed to Afghanistan, make MVE a leading producer of load-carrying systems. We have supplied more than 100,000 specialist vehicle bodies since the division started in 1946.



"Outstanding customer service remains at the heart of our business process."

Turnover

£m

70

60

50

40

30

2008 2009 2010

Key Indicators

Turnover	+6%
Gross Margin	+19%
Operating Profit	+47%
Operating Profit Per Employee	+36%

In parallel, a number of prototype concepts were developed and trialled including load bed systems for several vehicle builders including MAN, IVECO, Thales, Force Protection and Renault. These, in turn, were exhibited at defence shows in the UK, France and Australia.

During 2010, MVE supported both MAN Australia and Thales Australia in pursuit of vehicle and shelter opportunities in Australia, which included the design and development of a load bed system for the Thales Australia Bushmaster Utility vehicle. This high mobility, mine-protected vehicle, capable of carrying a payload of 5 tonnes at speed, called for a highly innovative design. Two of the first 3 prototype vehicles have successfully come through extensive blast testing trials, whilst the third is currently undergoing automotive durability trials.

Towards the end of the year, development work began on a range of Land Rover-based logistic systems together with a load bed system for the Force Protection Europe Ocelot vehicle. Recently, this vehicle has been selected by the MoD to fulfil the Foxhound requirement to replace the Snatch Land Rovers.

Marshall SDG (MSDG)
MSDG had a year of consolidation in 2010, although the unmanned ground vehicle business continued to grow at the same time, developing alliances with several overseas partners. The consultancy arm was also encouraged to develop business to mitigate the effect of a downturn in UK Government spending.

Our principal customer since 2009, MBDA, expressed its delight at our support for the FireShadow project, such that the company is now a favoured supplier for MBDA with further work imminent.

The core activity at MSDG remains the development of unmanned ground systems for the supply of autonomously controlled platforms for use with sensor suites and load carriage systems. Given the trend towards unmanned activities, in both the civilian and military markets, we expect demand to continue to grow.

Innovation remains an imperative as exemplified by the design and development of the Nordic Power diesel fuel cell from a laboratory bench model into a compact working prototype in less than six months.

Customers and staff at MSDG have benefited from the move to a brand new facility in Petersfield, which was opened jointly by the Chairman and Gerald Howarth, MP, Minister for International Defence and Security, in September 2010.

MSDG continues to operate under the highest standards of integrity and fairness which our customers, suppliers and employees appreciate and enjoy.

Marshall Fleet Solutions (MFS)
MFS expanded its operations during the period by raising the number of engineers employed by 7% to 147 and opening a new facility at Hatfield, Hertfordshire to service our customers in the South East of the country.
In addition, the business co-located its head office in Cambridge with MLS and MSV, which has improved efficiencies in its work for its sister companies, including the support vehicles for MVE and overseas work for MSV, an involvement we expect to increase in the future.

The main thrust of the year has been to integrate fully the refrigeration and tail lift operations into a regional and customer focused structure. The aim is to offer a one-stop shop for tail lift and refrigeration servicing for trucks and vans.

Diversification included a specialist contract to fit Cybit fuel flow meters to 260 vehicles based in the Netherlands. The customer was delighted with our willingness to commit to a demanding installation schedule which required innovative work practices by our staff.

New refrigeration unit sales increased by 74% from 2009 levels and, on the back of improved service levels and performance, we were pleased that Thermo King awarded the company coveted Platinum level dealer classification for unit sales.

People
MLS recognises that highly skilled and well qualified people are central to the business. This belief is reflected in our strong commitment to training programmes, as well as our open and devolved form of management which provides individuals with a high level of responsibility coupled with appropriate accountability.

We operate with integrity and fairness by conducting our relationships with customers, suppliers and employees on an open basis, wherever possible sharing the benefits that flow from our on-time and on-cost performance.

These approaches are reinforced by encouraging adventure and innovation in developing new markets for our products and services.

In 2011, in common with our sister Group companies, we shall be asking our staff to take part in the Great Place to Work™ employee survey, so that we can understand better, and react to, our employees' challenges and concerns.

Operating Review - Strategic Framework

"Change the Gear, Hold the Values"

We have developed a sound strategic framework that recognises our competitive position and the market pressures which we face.

The framework seeks to lift the performance of our Group through sharpening our focus on the market and our customers' needs and developing our people at all levels in accordance with those markets and customers' needs. Last year we started the change programme to implement the strategy and develop a robust framework for managing our diverse business portfolio. Various teams of people from across the Group have worked to develop the framework and in 2011 it is being rolled out into our operating companies.

Strategic Intent – our intention is to achieve success in our primary core markets whilst remaining a private company. In order to succeed in these aims, the Group has embarked on a programme to improve profitability through development of a company-wide performance culture backed up by defined company values and methods to measure adherence to these values. The slogan for the strategic framework is:
"Change the Gear, Hold the Values"

The Values Framework sets out the Group expectation that our operating companies will be focused on the customer and develop their performance through recognition that people are at the heart of their success.

Measuring our Performance is a key aspect of the strategic framework. As of this year, independent customer satisfaction surveys across our Group of companies will provide valuable information for continuous improvement and areas of concern. Following on from the success which we have experienced in the Motor Group through the introduction of independent employee surveys, a programme of annual review of staff opinion across Group will be conducted by The Great Place to Work Institute. This has been a significant catalyst for improvement in the Motor Group and we will build on that success in all of our operations.

Planning our Future – the Group has also developed a revised framework for business planning for all our subsidiary companies. Analysing our markets, measuring our competitive performance, and assessing our progress on our preferred path are all essential elements of our future success.

Investing in our People – we have continued to build on our long-established history of apprenticeship and re-skilling training, further enhanced by our AeroAcademy which operates in conjunction with Kingston University.

Recognising the contributions of our People is an important part of developing a performance culture. This year the Marshall Achievement Values and Teamwork Awards are being launched to celebrate the successes of our people. Awards will be won across Group at an annual ceremony (The MAVTAs) for exceptional achievements that reinforce our values – Customer Service, Innovation, Teamwork, Leadership, and Services to the Community.

Summary and Outlook
In 2010, Motor Group and Land Systems thrived through attention to operational excellence, customer delivery and successful business development. Results from our Aerospace company were disappointing as a result of external events and project overruns on two contracts. The causes have been identified and a strengthened management team is tackling the issues with early measurable improvements.

I am confident that success in our business development efforts coupled with measurable operational change in Marshall Aerospace will restore our profitability in 2011 and set us on a path of growth and continuous improvement.

Robert Marshall
Chief Operating Officer

Property Review

2010 was a year of refurbishment and improvement throughout the property portfolio and the start of a new chapter in the history of Cambridge Airport.

Cambridge Airport
The Group has continued to invest in Cambridge Airport including providing fixed base operation facilities for executive aircraft owners and operators. The Business Aviation Centre is now providing a fully equipped facility for its customers.

In addition to its instrument landing system, the Airport now has a new GPS approach facility. There are plans to investigate further investment in improvements to the Airport's infrastructure and the refurbishment of the existing passenger terminal to provide improved facilities for the development of regional airline routes.

The runway was resurfaced during 2010 and the air traffic control radar has been improved. Additional expenditure is planned to enhance the Airport's capabilities for the expected increase in the amount of traffic during 2012 arising from the London Olympics.

Airport Works, Cambridge
The Group has continued with its strategy of investing in the improvement of the buildings within its Airport Works' premises adjacent to Cambridge Airport.

There has been a programme to refurbish a number of buildings and facilities, including the replacement of roofs, the installation of aircraft paint filtration equipment and the upgrading of part of Airport House to provide suitable facilities for an expanding Aerospace IT department.

The Quorum, Barnwell Drive, Cambridge
The Quorum is an office building of about 60,000 sq ft, adjacent to Cambridge Airport, and is classified as an investment property. Having received advice from the Group's property advisers, the Directors have reduced the valuation of the building by £0.5m to £6.75m reflecting the current downturn in the office property market in Cambridge.

Greenhouse Park, Newmarket Road, Cambridge
Similarly, the Directors have undertaken a revaluation of the Marshall-owned offices within Greenhouse Park Estate, adjacent to the Newmarket Road Park & Ride site. The revised valuation of £680,000 represents a reduction of £60,000 on the 2009 valuation.

Marshall Motor Group
Marshall Motor Group sold surplus former garage premises in Huntingdon during 2010, the sale of which resulted in a profit on disposal of £1.05m which is shown as an exceptional profit in the accounts. It also sold a vehicle fuel forecourt in Peterborough, resulting in a profit on disposal of £80,000.

During 2010, the Motor Group relocated its head office departments from a number of sites within the Airport Works to a suite of offices within the Quorum. This move has increased the operating efficiency of the Motor Group by allowing all the departments to be co-located, thus improving co-ordination.

There has been a major programme of improving the Motor Group's vehicle parts function in Peterborough by creating dedicated parts departments within each franchise's premises. This major investment programme is already resulting in significant savings in labour costs and rental costs, as well as improving the efficiency of the technicians working on customers' vehicles within the Peterborough franchise sites.

The Motor Group's used car display area fronting Newmarket Road in Cambridge has been further improved in the year which has resulted in an increase in the number of used cars that can be displayed in front of both the Land Rover and Jaguar franchises, thereby, providing a greater selection for our customers.

Outlook
The Group will continue to invest in improving its buildings, facilities and infrastructure, whilst looking for new opportunities to support the growth and development of all its businesses.

Financial Review

A reduced profit before tax of £5.2m was a disappointing result for one of the more difficult years for the Group in recent times.

RESULTS
The overall result masked some quite outstanding results from certain parts of the Group, notably Marshall Motor Group and Marshall Leasing but also Marshall Specialist Vehicles.

Sales rose by 15% to £884m, on the back of a 28% increase in Motor Holdings sales, being a combination of increasing market share but also the beneficial impact of recent acquisitions and franchise openings.

Gross profits moved ahead by over £8m to £178m representing a return of 20.2% on sales, slightly down on 22.2% achieved in 2009 but just above the minimum Group target level of 20%. Gross margins remain under pressure in the Motor Group where the market continues to be in decline and the internet has brought a more competitive and transparent environment; it is encouraging, therefore, to see the gross profit levels holding up in such market conditions.

EARNINGS PER SHARE
Basic earnings per share fell to 4.3p as against 17.8p in 2009 whilst the underlying earnings per share was 5.1p per share. This underlying earnings figure has been calculated using profits excluding exceptional profits and goodwill amortisation so as to give a better understanding of the recurring level of earnings per share. An analysis of this calculation is shown in note 9 on page 42.

DIVIDENDS
Preference dividends amounting to £744,000 were paid to preference shareholders during the year in two equal amounts in April and October.

On 23rd December 2010, a priority dividend of 2p per share on the NVPO shares was paid together with an interim dividend of 0.5p per share paid to both ordinary and NVPO shareholders. The Board is recommending a final dividend of 1p per ordinary and NVPO share for approval by the shareholders at the AGM and it is the intention to pay this on 1st July 2011. Total dividends paid to shareholders in the year have amounted to £2.5m.

It is important to recognise that, as a private company, the Group has had limited access to external funds, other than by way of borrowing or loans. Accordingly, the Group has had to generate and retain sufficient post-tax profits to fund future investments, as well as growth in the business. It remains the Group's normal policy to provide some stability in terms of return for shareholders, whilst trying to ensure that dividends are well covered by post tax earnings. This latter goal has obviously not been achieved in 2010 although the recurring payout to shareholders has remained at stable levels.

GROUP ACCOUNTING POLICIES
The Group's financial statements have been drawn up on a basis consistent with previous years and in accordance with the latest requirements applicable to the Group. The Group is not required to comply with International Financial Reporting Standards (IFRS) which are now mandatory for all listed and AIM companies but during 2010 the FRC issued proposals for bringing UK GAAP into line with International Standards. The current proposals would, if confirmed, require the Group as a minimum to adopt a new form of accounting standards known as FRSME. The implications of such a move have been evaluated so that the Group understands the requirements and impact of adoption. No decision has, as yet, been made to change but the Board continues to keep this issue under review and is aware that adoption may well be compulsory for 2013.

TAXATION
The Group tax charge of £1.9m or 36.6% (2009: 21.0%) is above the statutory rate of 28%, principally because of expenditure disallowable for tax relief and the higher tax rates on overseas profits, notably Marshall Aerospace Canada Inc. Although the Group has been able to benefit from some prior year tax recovery for research and development expenditure, this is not nearly as significant as that enjoyed in 2008 and 2009. The Government has signalled that headline corporation tax rates will fall in future years but the reduction in capital allowance rates and the incidence of other disallowable expenditure probably means that the normal rate paid by the Group will hover around 35%. A full analysis and reconciliation of the tax charges is given in Note 8 on pages 41 to 42.

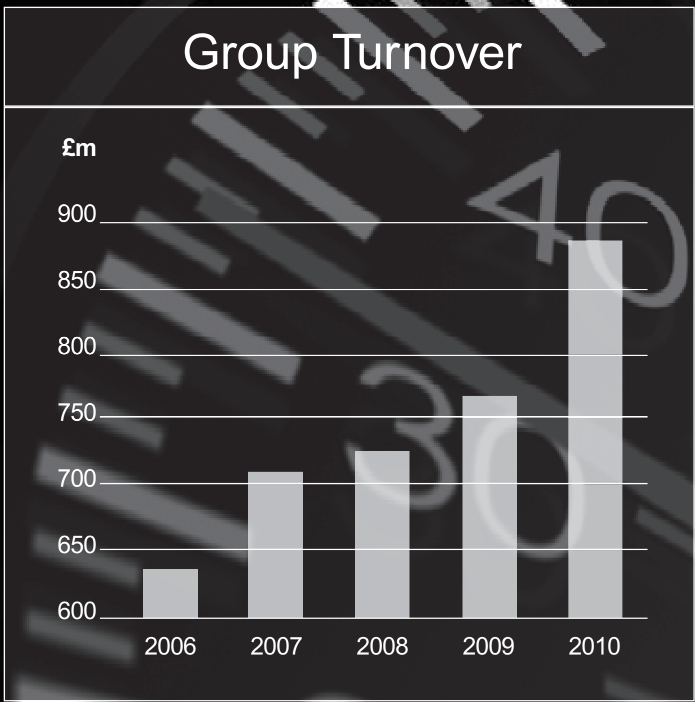
We continue to recognise deferred tax in the financial statements which can be simply explained as taxation charges, reliefs or benefits which will be included in future years' financial statements. Where recovery is not assured an asset is not booked.

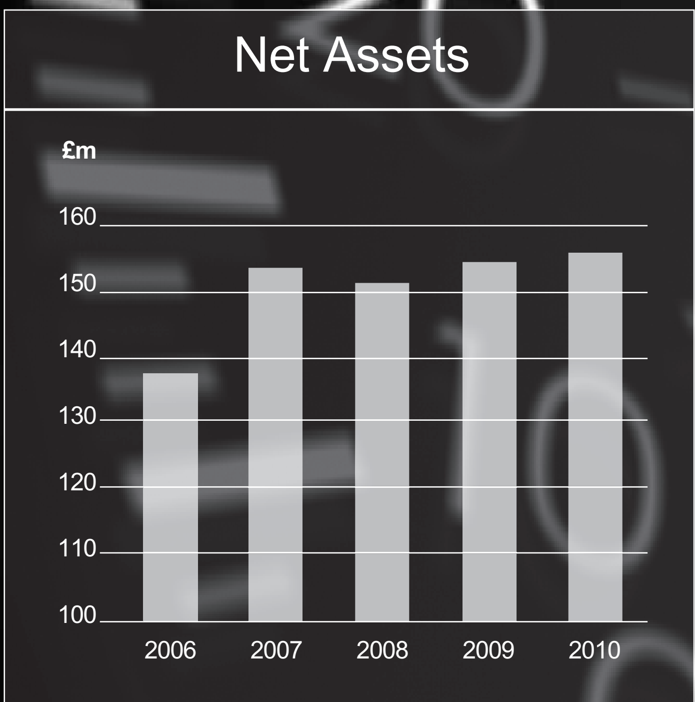
GOODWILL
The purchase of the new Mercedes franchises in October 2010 and the Francis Group additions have resulted in the acquisition of intangible assets or goodwill amounting to nearly £4.4m.

In addition, we have re-evaluated the Slingsby acquisition, as we are required to do within the first year of ownership, and adjusted the final amount of goodwill that arose. This resulted in a reduction of £0.8m.

The Group's policy is to capitalise and then write-down goodwill over the future years in which it is expected the results will benefit. The write down or amortisation, in 2010, amounted to £1.6m.

"...outstanding results from Marshall Motor Group and Marshall Leasing."





CASH FLOW

One of the better features of 2010 was the Group closing cash position. The Group ended 2010 with gross cash balances of £48.7m, a significant improvement on the closing position in 2009 of £20.8m. This arose from the receipt of customer deposits and payments on cars in advance of the VAT rise in January 2011, together with advances on a number of long-term contracts from our principal customer. Whilst flattering the year end position, it, nevertheless, provided a welcome start to 2011. Better management of working capital played a part whilst net profitability and additional loans taken out by our Leasing company also had a positive influence.

TREASURY MANAGEMENT

The Group Finance function manages centrally the main Group banking relationships. It is also responsible for monitoring, controlling and reviewing the management of the Group's loans, cash, currency and interest risk for the benefit of the Group and subsidiary companies. The function is not set up as a profit centre but exists to mitigate cost and risk for the benefit of the trading subsidiaries in the Group.

The Group remained a net payer of interest in 2010 but continued to benefit from the low level of interest rates which have now pertained for the last two years. The only significant Group borrowings relate to the loans to the Leasing company which increased to just over £33m in 2010 and the new revolving credit facility negotiated in 2010 of which further details are given below.

The Group trades not only in Sterling but in a number of other currencies, principally US Dollars, Canadian Dollars, Australian Dollars and the Euro.

Management endeavours to identify, monitor, measure and control likely currency risks or exposures within the Group's trading operations. Where it is possible to protect overall Group trading margins against the adverse impact of currency movements, forward exchange cover is considered.

GROUP BORROWINGS

The Group continued to use its agreed facilities with Barclays to fund around 75% to 80% of the acquisition cost of the Leasing fleet. As a result, borrowings rose from around £31m to just over £33m an increase very much in line with the growth in the fleet size. In addition, as part of a general review and upgrading of the banking facilities available to the Group, the available working capital facilities were increased to £20m and a four year revolving credit facility of £10m was put in place to facilitate future acquisitions.

Contemporaneously with the Mercedes acquisition in October, the Group drew down the full amount of this facility but at the year end only £7m was outstanding. Since the year end, this was fully repaid, as a result of the high cash balances being held, and will be drawn down as and when required to ensure the Group has a stable availability of cash balances for working capital purposes.

Additionally, the Group's commitment on operating leases for properties continues to increase as we make further acquisitions and investments. At the end of 2010, the annual recurring commitment on property leases had risen to over £4.0m.

INVESTMENT

Rigorous reviews of the return or pay back are carried out for all capital projects, other than those deemed essential in order to comply with operating regulations or legislative requirements. The Group continues to try to invest its resources wisely.

The main investment in the year was a spend of £21.6m gross (£16.4m net) on the Leasing fleet which ended the year with 4,266 vehicles (2009: 3,937 vehicles). Around £9.5m was spent on property, equipment and technological improvements. Gross investment on acquisitions made in the year was £7.9m, whilst a further £0.6m of previously deferred consideration was also paid leaving a residual amount of £3.85m of contingent consideration still to be settled on previous acquisitions.

PENSIONS

After recent deteriorations in the pension position on the Group's defined benefit scheme, the 'Plan', 2010 saw an improvement in the deficit which reduced from £5.2m before related deferred tax in 2009 to £3.0m in 2010. Whilst the expected liabilities continued to rise on the back of increasing mortality rates and reducing bond yields, this was more than offset by an improvement of some £3.4m in asset values being a combination of Group contributions and stock market improvements. Taking account of the deferred tax asset, the net liability at the end of 2010 had reduced to £2.2m. Future improvements in the stock market would continue to help mitigate this deficit as would increasing long-term bond yields, if and when interest rates start to increase.

Both the Trustees of the Plan and the Board continue to work together to reduce the inherent risk and ensure the Plan remains viable, effective and cost efficient. A funding valuation used both by the Trustees and the Group, as at 5th April 2008, indicated a deficit of only £1.3m and the Group agreed to eliminate this over the period 2009 to 2012 in three equal instalments which had in fact been achieved by the 5th April 2011. The next funding valuation is due as at 5th April 2011.

KEY PERFORMANCE INDICATORS

There are a number of Key Performance Indicators ('KPIs') both financial and non-financial used by the individual companies to gauge performance. The diversity of the nature of the Group's businesses means that few are applicable for every company. Accordingly, as a Group, we set a number of specific KPIs against which we can monitor individual or Group performance in the monthly management accounts. These are measured and reported to the Board each month.

The principal measures used to monitor the Group's results are the achievement of a minimum return on capital employed of 12.5% and a return on sales of at least 2%. For 2010, the return on capital was 3.3% whilst the return on sales was 0.6% both being noticeably down on 2009 as a result of the lower profit performance. At company level, different measures appropriate for engineering and motor retail businesses are used and these are identified in the Operating Review.

There are also two primary cash measures. The first is for the Group to be cash generative in any three year period after allowing for normal capital expenditure but excluding acquisitions or major developments. The second target is to ensure that available cash and borrowing facilities are at least 5% of turnover. In 2010, the former was achieved and the Group comfortably exceeded the latter target of £44.2m as a result of higher gross balances and unused facilities. All subsidiary companies are monitored on their cash generative performance and use of Group facilities.

Corporate Responsibility

CORPORATE RESPONSIBILITY

At Marshall, we recognise the importance of proactively managing the impact of our operations on our wider stakeholder group and the environment. Our response to corporate responsibility (CR) considerations has been structured under the following four core areas:

- Our Customers
- Our People
- The Environment
- The Community

Throughout the course of 2010, the Board has continued to encourage improvements to our policies and procedures designed to enhance our contribution to all our stakeholders. The Board has delegated responsibility for key CR initiatives to management, across the Group, as it considers that it is critical that operational management has ownership and responsibility for embedding the appropriate behaviours and actions throughout the Group.

Set out below is a selection of some of the key initiatives and arrangements which have applied during 2010.

OUR CUSTOMERS

Our commitment to our customers and our unwavering belief in integrity and fairness in all our business dealings are enshrined within our core organisational values and processes.

Understanding our customers' requirements

We recognise that responding rapidly and proactively to the ever changing requirements of our customers is critical in today's business environment. During 2010 we, therefore, initiated a Group-wide project designed to review and enhance our process for obtaining and responding to feedback from our customers. We anticipate this will help us deliver continuous improvement in how we deliver products and services to delight our customers.

Embedding integrity and fairness in our business

To reinforce our commitment to integrity and fairness in our business dealings, the Board has approved a Code of Business Ethics which is issued to all employees of the Group and is also made available to all stakeholders via our Group website. This code seeks to encapsulate in one document the various Group ethical policies and guidelines in place. It seeks to ensure the Group's commitment to the highest ethical standards in all its dealings and provides a framework and guidance to employees and other stakeholders in terms of how we expect to do business. It also includes a confidential "whistleblower" mechanism for reporting serious breaches of the code.

As the new Bribery Act takes effect in 2011, the Group is well placed to ensure all it operations and policies are set so as to achieve compliance with the legislation which becomes effective on 1 July 2011.

OUR PEOPLE

At Marshall we recognise that our employees are at the heart of our success. To achieve this we aspire to demonstrate consistently the highest standards of leadership and communication, teamwork, whilst understanding the importance of highly effective personal development and recognition.

A Great Place To Work™

Following a very positive experience of using the widely recognised Great Place To Work™ employee feedback process in our Motor Group in recent years, we have decided to roll out the approach across the Group. We hope to be able to use the valuable feedback obtained to deliver continuous improvement to how we engage with and motivate our employees in recognition of their critical contribution to our success.

Recognition and personal development

We gain competitive advantage by attracting, retaining and developing the best talent from the broadest range of people. We, therefore, continuously review our approach to motivating and developing our employees and are currently implementing two significant employee related projects which are anticipated to strengthen further our commitment to recognition and personal development:

To reinforce our commitment to developing our current and future business leaders we are developing a bespoke leadership and management training scheme. We also continue to emphasise the importance of learning and development for all of our staff in each of our businesses. Furthermore, to recognise those employees who demonstrate the highest standards in terms of "living our values" we are implementing a values recognition framework which will culminate in an annual MAVTA (Marshall Achievement Values and Teamwork Awards) celebration which recognises and reinforces our commitment to our values and their fundamental contribution to our success.

Health and Safety

The Group is committed to safeguarding the health and safety of its employees, customers, contractors and visitors to the Group's premises, and the community. Each of the operating companies employs health and safety advisors for the implementation of the Group's health and safety policies. This commitment and the "positive safety culture" of the Group continue to be recognised by The Royal Society for the Prevention of Accidents (RoSPA). During 2010 the following RoSPA Occupational Health & Safety Awards were won by our operating companies:

- Marshall Aerospace received their 5th consecutive Gold Medal;
- Marshall Specialist Vehicles received their 4th consecutive Gold Medal;
- Marshall Vehicle Engineering received their 2nd Silver award; and
- Marshall Motor Group was also successful in receiving its 1st Silver award in early 2011.

THE ENVIRONMENT

The Board continues to be committed to the broad principles of corporate sustainability and the need for environmental stewardship of the Group.

In 2010, we continued to make progress across the Group to lessen our impact on the environment and use our resources efficiently. The focus has been on education and changing the behaviour of employees to maximise the efficiency of our processes and reduce our consumption of energy. With this in mind, it is pleasing to note that our carbon emissions, from the consumption of core fuels, remained relatively stable, on a like-for-like basis, with the only absolute growth arising from the acquisition of our advanced composite facility, Slingsby, and the additional motor retail outlets acquired or opened in the year.

Having performed some preparatory work for the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) in the prior year, we entered our first year of being a CRC participant in April 2010. We continue to keep a watching brief on how the scheme develops and welcome the Government consultations on how to simplify the CRC scheme and reduce the administrative burden it places on the participants.

Key initiatives and achievements during 2010 include the following items:

- Carbon Trust energy assessment surveys for our Cambridge and Mildenhall facilities have been completed. The recommendations arising from these ranged from how to engage employees and change behaviour through to detailed areas of how to improve the building fabric, lighting systems and building management system to improve our energy efficiency.
- Marshall Aerospace commissioned and implemented an energy efficiency awareness campaign designed to educate employees and reduce energy usage across the business.
- Marshall Land Systems, following the appointment of a dedicated energy manager in 2009, has undertaken a number of energy efficiency initiatives including the refit of lights at the Aldridge depot and re-profiling the energy management systems in Hangar 6. Land Systems has also introduced energy wardens to focus on energy efficient practices across the business.
- The Motor Group took an innovative step locally, and indeed within the motor retail network, and installed an electric vehicle charging point adjacent to its Citroen and Nissan showrooms in Cambridge for the use by customers.
- The Group also contributed to the cost of the charging bays installed by Cambridge City Council in two city centre car parks.

Ongoing initiatives include:

- The Chairman of the Group continues in the active participation of the Environmental committee reinforcing the commitment and emphasis placed on the Group's environmental stewardship.
- Publication of articles in 'Teamwork', the internal newsletter, to inform and educate employees of best practice and the Group's current initiatives.
- The Motor Group's waste contractor continues to deal with an increased number of waste streams thereby diverting the amount of waste that would have gone to landfill and thus improving the percentage of waste that we recycle.
- Following the success of the cycle to work scheme at the Cambridge site, Slingsby introduced the scheme to its employees during the year.
- The continuing use of the smart energy meter network, at the Cambridge site, to monitor energy consumption, help identify areas of waste and allow targeted monitoring and energy optimisation initiatives.

2011 initiatives already underway include:

- A detailed review of how the Group may harness the various technologies available in the renewable energy field and how the recently announced Renewable Heat Incentive scheme may be applicable to the Group.
- Participation in The Society of Motor Manufacturers and Traders - Dealer Energy Efficiency Programme.
- Marshall Land Systems' intention to achieve ISO 14001 accreditation to reinforce their environmental credentials in their operating environment.
- Continuing the analysis of the pilot smart meter installations at large motor retail outlets within our dealer network.

THE COMMUNITY

We have a firm and long-standing commitment to the communities in which we live and work.

Charitable donations are an important part of our community involvement and we direct this support primarily to causes with educational, engineering and scientific objectives, as well as to social objectives connected with our business and place in the wider community. During the course of the year, the Group made charitable donations of £91,000 (2009: £110,000). The Group's own charity, the DG Marshall of Cambridge Trust, made charitable donations of £95,000 (2009 - £1,092,000).

We also actively encourage our businesses and individual employees to support the local community, particularly in education, the arts, the environment, sports and health care through sponsorship activities and voluntary work.

In conjunction with the World Land Trust, the Group has successfully led the Cambridge Rainforest Appeal which raised over £200,000 towards the purchase and long-term protection of a corridor of rainforest in Borneo which links two sections of a wildlife sanctuary. This should help to support the survival of orangutans and other wildlife.

Examples of the charitable activities undertaken by employees during the year included: four teams of Motor Group employees driving £500 cars to Monaco and back raising money for BEN, the motor industry charity; coffee mornings for Macmillan across the company which raised over £4,000 for the charity; numerous initiatives in support of the BBC's annual Children in Need appeal; and a Group-wide campaign organised by the Marshall Young Persons Group to encourage fellow employees to take part in the "Marshall Mos" Movember moustache-growing competition which raised £5,000 for prostate cancer.

Corporate Governance

CORPORATE GOVERNANCE

The Group continues to endeavour to apply the highest standards of corporate governance and has considered the guidance set out in the Combined Code on Corporate Governance, which applies only to companies listed on the London Stock Exchange, together with the Corporate Governance Guidance and Principles for Unlisted Companies which was issued by the Institute of Directors in November 2010. The Group has implemented the recommendations set out in these guidelines where it is considered both practical and appropriate for the company.

Set out below are the key arrangements which have applied during 2010.

BOARD COMPOSITION

The Board continually assesses the skills, knowledge and experience required to allow it to undertake its responsibilities effectively.

As at 26 April 2011, the Board comprised five executive directors and six non-executive directors. The current members of the Board, together with their biographical details, are shown on pages 28 to 29.

N.V. Barber retired from the Board on 2 June 2010 having been first appointed in 2000. A.E. Cook was appointed to the Board with effect from 1 May 2010 thus ensuring the retention of the services of six experienced independent non-executive directors.

M.T. Broadhurst retired from his role as an executive director on 31 December 2010.

ROLE OF THE BOARD

The Board has overall responsibility for the Group; it is responsible for setting the Group's strategic aims, ensuring that sufficient resources are available for the Group to meet its objectives as well as monitoring executive management. The Board is accountable to the shareholders for the performance and activities of the Group.

The Board has a formal schedule of matters required to be brought to it for its decision. Such matters include:

- Developing the Group's strategic plans
- Monitoring the Group's businesses and their performance
- Approval of large or higher risk contracts and tenders as well as major investments, acquisitions and disposals above the limits delegated to subsidiary boards
- Approval of board and senior management appointments
- Monitoring the Group's risk management and internal control systems
- Approval of the Group's financial results and dividend policy including declaration of interim and final dividends
- Approval of Group-wide financial and operating policies

The Board delegates responsibility to the executive management for the Group's performance in order to ensure that the business is managed in a fit and proper manner, in keeping with its values and business principles. The Board has put in place an organisational structure with formally defined lines of responsibility and there are clear limits on the authority devolved to the Group's businesses and individuals to make financial commitments appropriate to the size of the subsidiary or relevant business. Directors receive detailed briefing papers, including monthly management accounts, prior to each meeting to enable them to carry out their role effectively.

BOARD INDEPENDENCE

The non-executives bring a wide range of experience to the Board and participate fully in key decisions facing the Group. They are all considered by the Board to be independent of management and free from any business, or other relationship, which could materially interfere with the exercise of independent judgement.

J.C.G. Stancliffe has been considered by the Board to be independent, notwithstanding the fact that he has served on the Board for more than nine years, as he has continued to demonstrate a strong independence from management in the manner in which his duties as a non-executive are discharged. He has indicated his intention to retire from the Board at the AGM in June 2011.

SENIOR INDEPENDENT DIRECTOR

Sir Ralph Robins is the senior independent non-executive director providing an additional contact point for shareholders should the normal contact channels be considered inappropriate.

INDUCTION AND DEVELOPMENT

The Board has established procedures to allow individual directors to seek independent professional advice at the Company's expense for the furtherance of their duties. All directors have access to the services of the Company Secretary who is responsible for ensuring compliance with relevant procedures, rules and regulations. There are also procedures in place for the induction and training of new directors.

BOARD MEETINGS

The Board and its principal committees met regularly during the year. The timetable is set at the beginning of the year so as to ensure that sufficient regular meetings are scheduled and other meetings held, as required, in order for the Board and the committees to discharge their respective duties sufficiently.

The number of meetings of the Board and the Audit Committee, held during the year, and directors' attendance thereat, is shown overleaf:

Directors' attendance at meetings of the Board and Audit Committee during 2010

Meetings	Holdings Board		Audit Committee	
	Attended	Held*	Attended	Held*
Sir Michael Marshall	10	10		
N.V. Barber	0	5		
M.T. Broadhurst	10	10		
P.W. Callaghan	10	10		
A.E. Cook	6	6		
W.C.M. Dastur	10	10		
D. Gupta	9	10		
P.J. Harvey	9	10	4	4
R.D. Marshall	10	10		
Sir Ralph Robins	9	10	2	4
C.J. Sawyer	10	10	4	4
S.J. Sillars	10	10		
J.C.G. Stancliffe	10	10		

*During the period a director was in office or a member of the audit committee

BOARD COMMITTEES

In accordance with the principles of good corporate governance, the following committees, all of which have written terms of reference, have been established by the Board.

AUDIT COMMITTEE

Composition of the committee

The committee is chaired by C.J. Sawyer with P.J. Harvey and Sir Ralph Robins as the other non-executive directors serving as permanent members. Whilst not all of the committee members are considered to have "recent" financial experience, as recommended by the Combined Code, in common with all the non-executive directors, the members of the Audit Committee are together experienced individuals, and the Board considers that they have the requisite skills and attributes to enable the Audit Committee to properly discharge its responsibilities.

The Group Financial Director, Group Chief Operating Officer, Company Secretary, the external audit partner and the internal audit manager also attend each meeting at the request of the committee chairman.

Activities

The committee meets four times a year. At the meetings in March and April the committee primarily considers the draft financial statements and key judgements underlying them, together with the report of the external auditors on the full-year audit. Additional meetings, held in quarters three and four, are concerned primarily with the review of the Group's systems of control and their effectiveness, the review of the post acquisition performance of any major capital acquisition or capital expenditure compared to the original investment plan, the review of progress on major contracts and reviewing the external audit plan for the year.

External audit

During the year, the committee received reports from the external auditors on three occasions. It also met with the external auditor, without the executive management being present.

The committee evaluated the performance of the external auditors and also monitored the balance of audit and non-audit services to ensure the independence and objectivity of the external auditors was maintained.

The committee remains satisfied with the effectiveness of the external auditors and after review, the Audit Committee has recommended to the Board that the re-appointment of the auditors be proposed to shareholders at the Annual General Meeting to be held in June 2011.

The responsibilities of the directors and the external auditors in respect of the financial statements are set out on pages 33 and 56 respectively.

Internal audit

The Board maintains its ongoing commitment to operating an Internal Audit function to provide the Board with relevant, timely and independent assurance on the Group's activities.

Internal audit's work is risk focused and the areas of audit focus are determined by a combination of risk assessments, discussions held with senior management and requests received directly from the Audit Committee, the Chairman or senior executive directors. The work of internal audit provides assurance to the Audit Committee on the effectiveness of the systems of internal control in operation within the Group.

The committee approved the annual internal audit plan to be undertaken during the year and received internal audit progress reports at all of the meetings held in the year. The progress reports summarised audit findings, management responses and ongoing internal audit activity within the Group. The progress reports were reviewed in detail and contributed to the Audit Committee's view on the effectiveness of the company's internal control framework.

Risk Management

In May 2010, the Financial Reporting Council introduced changes to the Combined Code, which will now be known as the UK Corporate Governance Code, to help company boards become more effective and more accountable to their shareholders. Among the changes it introduced was the requirement for the Board to undertake a formal annual review of a company's risk management system. Under its delegated authority the Audit Committee has responsibility for undertaking this review on behalf of the Board.

During the course of the year, the Audit Committee has been provided with updates from management on the ongoing project to strengthen further the existing risk management infrastructure across the Group. The project will result in a consistent structured approach to identifying, evaluating, managing and monitoring key risks facing the Group across all of its operating subsidiaries.

NOMINATIONS COMMITTEE

Composition of the committee

The committee is chaired by Sir Michael Marshall supported by two independent non-executive directors.

Activities

The committee has responsibility for overseeing that appropriate procedures are in place for the nomination, selection and training of directors as well as ensuring the right balance between executive and non-executive directors with an appropriate blend of skills and training.

The committee considers the skills and experience required to fill a vacancy in the Board and, in the first instance, determines whether any individuals known to the Board would be suitable for the role. If no suitable candidates can be identified through this process, or if the committee believes the involvement of other candidates would benefit the process, then an external search consultancy will be approached.

During the year, the committee considered the succession planning for N.V. Barber, who retired as a non-executive director in June 2010. As a result of a comprehensive review, it was determined that A.E. Cook would enhance and complement the existing skills and experience of the Board in his capacity as a non-executive director.

The committee also provided support to the Board in the search for a successor to M.T. Broadhurst (retired 31 December 2010) in his role as Chief Executive of Marshall Aerospace. As a result of this process, S. Fitz-Gerald was appointed as Chief Executive of Marshall Aerospace from 1 January 2011.

EXECUTIVE REMUNERATION

The Chairman has a Remuneration Committee to advise him in the process of setting and reviewing executive remuneration. This committee met on two occasions during 2010 and then again in early 2011.

Operating subsidiary Chief Executives, the Group Chief Operating Officer and the Group Finance Director have service contracts, which are terminable by no longer than twelve months' notice given by either party thereto.

DIALOGUE WITH SHAREHOLDERS

The Board recognises that the annual general meeting provides shareholders with an important opportunity to receive information on the Group's business performance and to meet with the Board. The Chairman, the executive directors and Board committee chairmen were present at the 2010 AGM.

Jacqui Ferguson continued to hold the role of Family Shareholder Representative and provides an important communication channel between shareholders and the Board throughout the course of the year.

INTERNAL CONTROL

The Board has established what it believes is an appropriate control environment. The internal control system is designed to meet the Group's particular needs and the risks to which it is exposed, but it should be appreciated that, however effective a system of internal control is, it can provide only reasonable and not absolute assurance against material misstatement or loss.

The key features of the Group's internal control systems are; an organisational structure at head office and at subsidiary level which clearly defines responsibilities; an annual budgeting process, supported by regular forecasts; monthly detailed management accounts with a report to the Board; an internal audit function; control of capital expenditure through budgets and authorisation levels; defined procedures for investment and treasury management; detailed matrix levels of authority; Board approval of significant acquisitions and disposals, tenders and large long term contracts; and policies for health, safety and the environment which are applicable to the whole Group.

During the year, the Audit Committee received and reviewed reports from both the internal and external auditors. In the Board's view, the information it received was sufficient to enable it to review the effectiveness of the systems of internal control.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating Review on pages 4 to 19. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 20 to 22. In addition, the Directors' Report on pages 30 to 33 includes a description of the principal risks and uncertainties facing the Group.

The Group has sufficient financial resources and is diversified across a number of customers and suppliers across different industries. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Board has reviewed the latest budgets and forecasts for the Group and as a result, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Board

EXECUTIVE DIRECTORS

A) SIR MICHAEL MARSHALL CBE DL *° **Appointed to main Board in 1960** Having joined the Group in 1955, he was appointed a director in 1957. In 1990, he became Chairman and Chief Executive of the whole Group. He is a Deputy Lieutenant of Cambridgeshire, Honorary Air Commodore of No 2623 (East Anglian) Squadron RAuxAF, Past President of The Air League, a Fellow of the Royal Aeronautical Society, a Companion of the Institute of Management, a Vice President of the Institute of the Motor Industry and President of the Addenbrooke's Charitable Trust. Aged 79.

B) R.D. MARSHALL FRAeS **Appointed 2000**
He joined Marshall Aerospace in 1995 and was appointed a Director in 1999 before moving to Marshall SV as Chief Executive in 2000. He has been Chairman of Marshall Land Systems since January 2006 and was appointed Executive Chairman of Marshall Motor Holdings in 2007. He became Chief Operating Officer on 26th January 2010. He is a fellow of the Royal Aeronautical Society. Aged 48.

C) P. CALLAGHAN MBA, FIFT **Appointed 2009**
Currently Chief Executive of Marshall Land Systems, prior to joining Marshall, he was Managing Director of the Smiths Detection NBC business. He has served as a Non-Executive Programme Board Member for the UK MoD. His previous experience has encompassed the mining, engineering and automotive components industries. Aged 60.

D) W.C.M. DASTUR FCA **Appointed 1996**
Formerly a partner with Ernst & Young, he joined the Group and the Board in 1996 as Group Financial Director. He acts as Chairman of the Trustees for the Group's various pension funds. He is also Chairman of Ely Cathedral Finance Investment Advisory Committee, a Fellow of the RSA and a Freeman of the City of London. Aged 58.

E) D. GUPTA Appointed 2009
He joined the group in 2008 as Chief Executive of Marshall Motor Holdings. He was previously Group Managing Director for Ridgeway Group where he continues to be a Non-Executive Director. Formerly Chief Operating Officer of Accident Exchange Group PLC, he has had roles in motor retail as General Manager at the Camden Retail Group and Franchise Director for Inchcape PLC for 7 years where he was responsible for the Volkswagen, Audi and Mercedes Benz brands. Aged 40.

COMPANY SECRETARY

F) J.D. BARKER ACIB ACIS
Formerly with Lloyds Bank plc before joining the Marshall Group in 1976. He is a member of the Chartered Institute of Bankers and the Institute of Chartered Secretaries and Administrators and was appointed Company Secretary of the Group in 1993. He is Company Secretary of all principal Group companies and the Audit Committee. He is also a Trustee for the Group's various pension schemes. Aged 60.

CHIEF EXECUTIVE - MARSHALL AEROSPACE

G) S. FITZ-GERALD
He was appointed as Chief Executive of Marshall Aerospace in January 2011, having previously been President of Cobham Aviation Services. He has 25 years of experience in the defence industry with Plessey, Marconi and BAE Systems. Aged 53.

"I should like to express my gratitude to my fellow Directors on the Board for their unflinching support, advice and encouragement"

SIR MICHAEL MARSHALL

AUDITORS
Ernst & Young LLP

BANKERS
Barclays Bank PLC

INSURANCE BROKERS
Willis

PENSION AND ACTUARIAL ADVISERS
Buck Consultants

PROPERTY ADVISERS
Bidwells Russells

SOLICITORS
Bird & Bird Eversheds Greenwoods

REGISTERED OFFICE
Airport House
Newmarket Road
Cambridge CB5 8RY

REGISTERED NUMBER 2051460
www.marshallgroup.co.uk

† Member of the Audit Committee * Nomination Committee ° Remuneration Advisory Committee

NON-EXECUTIVE DIRECTORS

H) J.C.G. STANCLIFFE * Appointed 1992
Deputy Chairman of Marshall of Cambridge (Holdings) Limited. Formerly a Director of S. G. Warburg Group and Mercury Asset Management Group. Aged 79.

I) A.E. COOK CBE * Appointed 2010
Currently chairman of WS Atkins plc, he is a chartered engineer with over 30 years' international experience in the automotive, aerospace and defence industries. Formerly chief executive of Cobham PLC, he held senior roles at GEC-Marconi, BAE Systems and Hughes Aircraft. He is also chairman of SELEX Galileo Ltd, as well as chairing a number of advisory boards for the Government. He is a fellow of the Royal Academy of Engineering. Aged 61.

J) P.J. HARVEY ACIB DipFS † Appointed 2008
He is a former Chief Executive of Barclays Commercial Banking and, latterly, until his retirement in 2008, Vice Chairman of UK Banking. He is now a Non-Executive Director of Cooperative Financial Services, an advisor to the City law firm Berwin, Leighton, Paisner and is also a member of the Supervisory Board and Audit Committee of Surrey County Cricket Club. He is a member of the Chartered Institute of Bankers. Aged 55.

K) SIR RALPH ROBINS DL FREng FRAeS † ° Appointed 2004
He retired as Chairman of Rolls-Royce plc in January 2003, and is a former Chairman of Cable & Wireless plc and the Defence Industries Council. He is also a former President of the Society of British Aerospace Companies and Director of several international companies. He is a Deputy Lieutenant of Derbyshire and a Freeman of the City of London. Aged 78.

L) C. J. SAWYER † ° Appointed 2008
Developed Deltron Electronics plc into a European-leading manufacturer and distributor of niche components, which he sold during 2006. He is now Chairman of businesses engaged in recruitment, engineering consultancy and automotive parts distribution. He is a Fellow of the RSA, IOD, Chartered Management Institute and is a Freeman of the City of London. Chairman of the Audit Committee. Aged 64.

M) S.J. SILLARS OBE FIMI ° Appointed 2004
Executive Chair; Institute of Motor Industry - The Sector Skills Council & Professional Body for the Retail Motor Industry. She is a Trustee of BEN, the benevolent charity for the Automotive Industry, a UK Youth Patron, a Liveryman with the 'Coachmakers & Coach Harness Makers' and a Freeman of the City of London. Aged 52.

DIRECTORS' REPORT

MARSHALL OF CAMBRIDGE (HOLDINGS) LIMITED
REGISTERED NUMBER: 2051460

The directors present their report and financial statements for the year ended 31st December, 2010.

RESULTS AND DIVIDENDS

The Group recorded a profit after tax and minority interests for the year of £3,287,000 (2009 - £11,941,000). On 23rd December 2010, the Board paid a priority dividend of 2p per share on the non-voting priority ordinary (NVPO) shares, together with an interim dividend of 0.5p per share for both ordinary and NVPO shareholders. The directors recommend a final dividend of 1p per ordinary and NVPO share making a total for the year of 1.5p per ordinary share and 3.5p per NVPO share. In accordance with FRS 21, the final dividend of 1p is not shown as a liability in the financial statements as it has been proposed after the balance sheet date and will be included in the financial statements for 2011. Preference dividends on the 'A' and 'B' preference shares amounting to £744,000 were paid in the year.

PRINCIPAL ACTIVITIES

The activities of the Group consist principally of general engineering within the aerospace and defence sectors together with the business of car and commercial vehicle sales, service, hire and associated activities, and the holding and rental of property.

REVIEW OF THE BUSINESS

The Group produced a reduced pre-tax profit of £5.2m in the year with a Group operating profit of a similar amount. The results were underpinned by another year of strong profit growth from Marshall Motor Group and Marshall Leasing whilst Marshall Land Systems (excluding Marshall Fleet Solutions) produced another year of improved profitability. Marshall Aerospace had a poor year in the UK, particularly in the latter six months, as although order take has generally remained stable for the engineering companies, the Government SDSR initiative has had an immediate negative impact.

Marshall Motor Group continued to outperform the market and a number of its national and local competitors, in what was generally seen as a depressed motor retail market, with a very respectable profit and return on sales which in turn were up by 28% on 2009. This result was achieved despite the loss of the scrappage incentives from April 2010. Marshall Leasing's operations had another year of outperformance with further profit growth underpinning a solid performance generally for yet another outstanding year. Marshall Motor Group acquisition activity continued apace with the acquisition and opening of a further 8 franchises in the first half of the year, followed by the acquisition of 5 Mercedes and 2 smart franchises in October 2010, completing a year of expansion and growth. Elsewhere in the Group, the emphasis was on bedding in and exploiting the businesses and operations acquired in previous years.

Marshall Fleet Solutions, having been assimilated into Marshall Land Systems at the tail end of 2009, again struggled to maintain sales in what remained a challenging economic environment for the transport industry. Nevertheless, various management and structural changes have put it into a more competitive position where prospects for the future are more encouraging.

The Group entered 2011 with a good order book for its engineering businesses, although, as noted above, SDSR may well present some longer-term challenges and possibly opportunities. As in 2010, the prospects for the motor retail market continue to remain mixed but the Marshall Motor Group, with its highly focused management team, remains confident that it can emulate, if not surpass, the trading performance of its peer group whilst continuing to look for further opportunities for expansion and growth. The vehicle and refrigeration support activities continue to face, as in previous years, a challenging and competitive environment but remain focused on improving market penetration, sales and after sales, aided by the recruitment of a new managing director. The Group continues to ensure its cost base is structured to match current activity levels as well as ensuring that the appropriate amounts of investment are made in its businesses, facilities and people to provide a solid base for strong trading performance and future success across its businesses. This is reinforced by the continuing commitment to balance short-term performance with long-term sustainability through capital expenditure and investment in property and infrastructure improvements.

Individual companies continue to use a number of key performance indicators to measure and assess performance. These include, returns on sales, return on capital employed, interest cover and cash generation measures, as well as order intake, unit sales, service absorption and utilisation statistics. Those which are used across the Group are discussed further in the Financial Review, whilst the Operating Review covers the more specific factors used by the diverse businesses. However, a key non-financial performance indicator, to which all Group companies subscribe, is that of improving customer service and satisfaction which remains paramount to all Marshall businesses and underpins the ongoing business ethos of the Group.

The Group undertakes regular assessments of the risks and uncertainties facing the Group as a whole as well as each of its principal trading subsidiaries. This is carried out by operational management and a summary of the main risks is set out below.

Further details on the Group's principal businesses and their prospects for the future can be found in the Operating Review.

RISK ASSESSMENT

The factors described below highlight risks and uncertainties which affect the Group but are not intended to be an exhaustive analysis of all the potential risks which may arise in the ordinary course of business or otherwise. Some risks may be unknown to the Group and other risks, currently regarded as immaterial, could turn out to be material. The Board has established what it believes is an appropriate internal control environment designed to identify, manage and mitigate these risks. The Audit Committee reviews the effectiveness of the Group's internal controls on a regular basis and reports its findings to the Board. This process is described in the Corporate Governance section on pages 25 to 27.

Business conditions, general economy and Government policy

The profitability of the Group's businesses could continue to be adversely affected by the general economic conditions in the UK. Factors such as unemployment, interest rates, exchange rates, and inflation or deflation could all impact the markets in which the Group operates and reduce demand whilst positive or negative action taken by the UK Government relating to the taxation of private cars, encouraging the sale of older age cars, and the availability and cost of credit has and could continue to significantly affect the market for the sale of new and used motor cars. For new car sales, a continuation of the economic downturn could lead to continued pressure on margins. Until economic prospects in the UK improve there will be a continued impact on the various aftersales businesses of the Group, whilst a sustained downturn over a number of years would be likely to lead to reduced profits in such businesses. Equally, a reduction in defence spending by the Government, or a change in procurement policy, could have a marked impact on the engineering businesses which could lead to reduced orders, activities and, thus, the ability to absorb fully current levels of overheads. Over a prolonged period, this could have a detrimental effect on performance, profitability and employment levels.

Group strategic objectives

It is the Board's responsibility to adopt an appropriate business strategy and then implement this effectively. Failure to achieve either of these could negatively impact upon business performance of the Group. The importance and relevance of strategic risk across the Group companies, particularly in connection with operational excellence and performance, needs to be properly understood by all senior employees and managed effectively to deliver long term growth for the benefit of the shareholders and the Group's stakeholders.

Complexity of major projects

Marshall Aerospace and Marshall Land Systems undertake highly complex projects involving design, development and integration of major aircraft systems and military systems respectively. Correct estimation of the technical content and requirements is essential to meet contractual commitments and expected financial performance.

Engineering and product safety

Safety and quality of our engineering services and also the products sold to customers are of paramount importance to the Group, as well as being essential for maintaining the trust and confidence of all our customers both large and small. A significant failure could have a detrimental impact on relationships with customers and also the Group's reputation with a concomitant negative influence on future orders and sales. The Group has detailed and established procedures for ensuring the delivery of products and services to the highest standards and takes particular care to ensure compliance with new regulations, legislation and best practice in the industries in which it operates.

Skills availability
The UK aerospace skills base is under pressure with falling numbers available in the engineering resource pool. Aerospace is a labour intensive industry and the Group continues to invest strongly in training to protect itself from this threat to its business although a fall in demand could put pressure on employment levels that then become economically unsustainable. Increasing global competition requires the Group to recruit both within the UK and elsewhere in the world. Governmental changes to employment regulations, requirements and reporting could hamper the Group's ability always to recruit and retain the very best skilled technicians and employees.

Franchises and agreements
The Group operates motor car franchises as well as refrigeration and tail lift franchises and aircraft servicing agreements. Franchises are awarded to Group companies and the loss of franchises could result in a significant reduction in the profits of the Group due to the inability then to source new product or vehicles to sell, perform warranty repairs or carry out maintenance activity.

Vehicle manufacturer dependencies
There is also some dependence on the vehicle manufacturers' financial condition, marketing, vehicle design, production capabilities, reputation, management and industrial relations. Although the Group is not unduly dependant on any single vehicle manufacturer, a continuing drop in demand could lead to a number of manufacturers facing severe financial difficulties. A failure by a manufacturer, as with MG Rover a few years ago, could lead to significant losses through irrecoverable debts, losses on the disposal of vehicles and possible customer warranty claims. Vehicle manufacturers provide sales incentive, warranty and other programmes which are intended to promote new vehicle sales. A withdrawal or reduction in these programmes would have an adverse impact on the Motor Group's margins and business overall.

Regulatory compliance risk
The Group is subject to a regulatory compliance risk which can arise from a failure to comply fully with the laws, regulations or codes applicable, for example, those set out by the Civil Aviation Authority, the Ministry of Defence, the Health and Safety Executive and Financial Services Authority as well as local authorities. Non-compliance can lead to fines, enforced suspension from sales of general insurance products or public reprimand or, in the extreme, closure of parts of the business.

Competition
The global markets in which the Group operates are intensely competitive. Innovative competition for corporate and retail clients and customers comes both from incumbent organisations and new market entrants, particularly in the aerospace and vehicle engineering businesses. The landscape is expected to remain highly competitive in all areas, which could adversely affect the Group's profitability if the Group fails to continue to retain and attract clients and customers.

Certain Group companies compete with other franchised operations, private buyers and sellers, internet based dealers, independent service and repair shops and manufacturers or supermarket retailers who enter the retail market. The Motor Group competes for the sale of new and used vehicles, the performance of warranty repairs, non warranty repairs, routine maintenance business and for the provision of spare parts. The principal competitive factors in service and parts sales are price, customer database, familiarity with a manufacturer's brands and models and the quality of customer service. The Motor Group also competes with a range of financial institutions in arranging finance for vehicle purchases; some of its competitors may have greater resources and lower overhead and sales costs which could lead to a failure to be able to compete and result in a reduction in profitability.

The 'block exemption' regulations under EC law suspend normal competition rules to allow motor manufacturers and distributors to operate specialised distribution and repair outlets. The current rules expire in 2013, but any significant change to this position could have an adverse impact on the Group's motor franchise operations.

Reputational risk
As one of the largest private employers in East Anglia, and particularly Cambridge, external and internal expectations of the Group are high. A failure to protect the Group's reputation and brands in any one of its principal businesses could lead to a loss of trust and confidence which could reverberate across the Group and, in turn, result in a decline in the customer base. This could also ultimately affect the ability of the Group to recruit and retain good people.

Reliance on certain members of management and staff
The Group is dependent on members of its senior management team and skilled personnel and the loss of the service of a number of such individuals could have a material adverse effect on the business. The future financial well-being of the Group could, therefore, depend in part on its ability to attract and retain highly skilled management and personnel as well as ensuring succession plans are appropriate. Additionally, the failure to recruit and retain adequate numbers of skilled staff might mean it may not be possible to continue to grow the business.

Information risk
The individual businesses are dependent on the efficient and uninterrupted operation of their information technology and computer systems, which are vulnerable to damage or interruption from power loss, telecommunications failures, sabotage, vandalism or similar misconduct. Whilst the Group has put in place insurance cover, and also contingency and disaster recovery plans, in order to mitigate the impact of such failures, it can never be certain that these plans could cover every eventuality or situation or fully recompense every loss.

Reliance on the use of significant estimates of residual values
Marshall Leasing enters into contract hire agreements for vehicles whereby it estimates the residual value of the asset at the end of the agreement. Agreements vary in length generally between two and four years with depreciation being applied on a straight line basis over the term of the agreement. When the agreements terminate the vehicles are sold with profits or losses being recognised against the book value at the point of disposal. The company operates a robust independent analysis tool to monitor this area and will manage any exposure should the trend analysis predict it.

FINANCIAL RISKS

Liquidity and financing
Liquidity and financing risks relate to the ability to pay for goods and services required by the Group to trade on a day-to-day basis. The main sources of financing facilities are from banks by way of borrowing facilities and from suppliers by way of trade credit. A withdrawal of financing facilities or a failure to renew them as they expire could lead to a significant reduction in the trading ability of the Group.

Cash forecasts identifying the liquidity requirements for the Group are produced regularly and are reviewed regularly by the Group Finance function and the Board to ensure that the Group has sufficient cash resources or facilities for at least a 12 month period. The Group's policy is to maintain a minimum level of facilities and ensure the funding of the Leasing fleet is achieved partly by debt matched in its maturity to the life of the vehicles leased out. As at 31 December, 2010, the Group had cash balances of £48.7m and available facilities of £23m.

Exchange rate risk
The Group's approach to exchange rate risk is explained further in the Financial Review, but fluctuations or volatility of the size and extent seen in 2008 and also 2009 would represent an increased risk to the Group.

Interest rates
The Group's policy is to maximise interest receivable commensurate with risk, usually with highly rated UK banks, whilst managing and monitoring the potential interest rate on borrowings. The use of derivative financial instruments, such as interest rate swaps, are considered but rarely used and the principal mechanism has been to borrow on both a fixed and floating rate basis.

Counterparty
The Board's policy is to limit exposures by setting credit limits for each counterparty. Surplus cash is invested in short term financial instruments and only deposited with counterparties with a minimum credit rating of AA.

Pensions

The Group maintains a variety of pension schemes including a defined benefit scheme, the Plan. The pension fund liabilities of the Plan are balanced by a portfolio of assets, with potential risk around the mortality rate, wage inflation, corporate bond yields and the value of and, return on, assets. In addition, actions by the Pensions Regulator or the Trustees and/or any material revisions to the existing pension legislation could require increased contributions by the Group to the Plan.

Tax

The Group is subject to the tax laws in all countries in which it operates. Tax risk is the risk associated with changes in tax law or in the interpretation of tax law. It also includes the risk of changes in tax rates and the risk of failure to comply with procedures required by tax authorities. Failure to manage tax risks could lead to an additional tax charge. It could also lead to a financial penalty for failure to comply with required tax procedures or other aspects of tax law.

Health, safety and the environment

The Group faces health and safety risks due to the scale of its operations. It is committed to maintaining high standards of health and safety, and its processes reflect this risk. Further information on the approach to health and safety is available in the Corporate Responsibility section.

FIXED ASSETS

The Group invested £31.2m (2009 - £25.7m) in new fixed assets and a further £8.5m (2009 - £6.7m) in new businesses. The Group's freehold investment properties were revalued by the directors, as at 31st December, 2010 at £8,515,000. A revaluation deficit of £550,000 has been taken to the revaluation reserve. Other tangible fixed assets' details and movements can be found in note 13 to the financial statements.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has continued to effect directors' and officers' insurance in respect of all the directors of the Company and its subsidiary undertakings.

DIRECTORS

The directors who served during the year were:-

Sir Michael Marshall (Chairman)
J.C.G. Stancliffe (Deputy Chairman)
N.V. Barber (retired 2nd June 2010)
M.T. Broadhurst (resigned 31st December 2010)
P. Callaghan
A.E. Cook (appointed 1st May 2010)
W.C.M. Dastur
D. Gupta
P.J. Harvey
R.D. Marshall
Sir Ralph Robins
C.J. Sawyer
S.J. Sillars

At the forthcoming Annual General Meeting, P.J. Harvey, C.J. Sawyer, and J.C.G. Stancliffe retire by rotation. P.J. Harvey and C.J. Sawyer being eligible, offer themselves for re-election.

The interests of the directors of Marshall of Cambridge (Holdings) Limited and their families in the shares of the Company at 31st December, 2010 were:

	Sir Michael Marshall*		**R.D. Marshall****		**J.C.G. Stancliffe**		**W.C.M. Dastur**	
	Beneficially	As trustee	Beneficially	As trustee	Beneficially	As trustee	Beneficially	As trustee
Ordinary shares of 12.5p each	2,872,100	7,273,490	367,750	29,500	522,000	-	-	29,500
NVPO shares of 12.5p each	2,349,900	20,974,510	220,650	206,500	3,654,000	-	60,000	206,500
8% preference 'A' shares of £1 each	240,000	2,462,666	-	60,666	348,000	-	-	60,666
10% preference 'B' shares of £1 each	180,000	1,829,333	-	28,333	201,000	-	15,000	28,333

The interests of the directors of Marshall of Cambridge (Holdings) Limited and their families in the shares of the Company at 1st January 2010 were:

	Sir Michael Marshall*		**R.D. Marshall****		**J.C.G. Stancliffe**		**W.C.M. Dastur**	
	Beneficially	As trustee	Beneficially	As trustee	Beneficially	As trustee	Beneficially	As trustee
Ordinary shares of 12.5p each	2,872,100	7,273,490	367,750	2,212,942	522,000	-	-	29,500
NVPO shares of 12.5p each	2,349,900	20,974,510	220,650	6,466,274	3,654,000	-	30,000	206,500
8% preference 'A' shares of £1 each	240,000	2,462,666	-	831,934	348,000	-	-	60,666
10% preference 'B' shares of £1 each	180,000	1,829,333	-	606,284	201,000	83,179	-	28,333

* Sir Michael Marshall has a life interest in one half of the income from 5,060,548 ordinary shares, 14,508,236 NVPO shares, 1,630,732 8% 'A' preference shares and 1,223,049 10% 'B' preference shares out of the totals referred to above in the trustee column. As at 26th April 2011, Sir Michael's beneficial holding remained unchanged.

** R.D. Marshall has a life interest in one eleventh of the income from 2,183,442 ordinary shares, 6,259,774 NVPO shares, 771,268 8% 'A' preference shares and 577,951 10% 'B' preference shares out of the total referred to above in the trustee column. As at 26th April 2011, R.D. Marshall's beneficial holding remained unchanged.

DIRECTORS' REPORT

EMPLOYMENT POLICIES

The Group is committed to its Equal Opportunities programme covering recruitment and selection, training and development, appraisal and promotion. The Group recognises the diversity of its employees, its customers and the community at large and seeks to use employees' talents and abilities to the full. This approach extends to the fair treatment of employees with disabilities in relation to their recruitment, training and development. Full consideration is given to the retention of staff who become disabled during employment.

The Group recognises the importance of good communications and relations with its employees and the requirements of the Information and Consultation of Employees Regulations 2004. It is Group policy to keep employees as fully informed as possible on matters which affect them through communication procedures, which include regular briefings, consultative committees and through its regular Group newsletter, Teamwork. These arrangements are continually being reviewed and updated to ensure the Group meets the latest standards.

During the year, a series of meetings was held between management and employee representatives to discuss performance and to enhance the flow of information.

SOCIAL POLICY

The Group takes its responsibilities to its employees, customers and shareholders seriously, as well as its wider social responsibilities. The Group has a policy of not making donations to political groups, parties or individuals, but has a positive policy of supporting, selectively, charities and organisations which benefit either the communities in which the Group operates or the industries in which the Group works.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made various charitable contributions during the year totalling £91,000 (2009 - £110,000). There were no political donations.

DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

J. D. Barker
Secretary
26th April, 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's websites. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 31st December, 2010

	Notes	2010 £000	2009 £000
TURNOVER			
Existing operations		**844,483**	733,248
Acquisitions		**39,491**	32,554
GROUP TURNOVER: continuing operations	2	**883,974**	765,802
Cost of sales	3	**(705,718)**	(595,761)
GROSS PROFIT	3	**178,256**	170,041
Distribution and selling costs	3	**(5,805)**	(5,081)
Administrative expenses	3	**(167,334)**	(150,092)
Other operating income		**87**	161
OPERATING PROFIT			
Existing operations		**5,062**	14,109
Acquisitions		**142**	920
GROUP OPERATING PROFIT: continuing operations	2/4	**5,204**	15,029
Profit on disposal of tangible fixed assets	5	**1,128**	801
PROFIT ON ORDINARY ACTIVITIES BEFORE INVESTMENT INCOME, INTEREST AND TAXATION		**6,332**	15,830
Income from investments		**12**	7
Interest receivable	6	**91**	290
Interest payable and similar charges	6	**(1,214)**	(872)
Other finance costs	31	**(24)**	(149)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**5,197**	15,106
Tax on profit on ordinary activities	8	**(1,903)**	(3,165)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**3,294**	11,941
Minority interests		**(7)**	-
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF THE PARENT COMPANY		**3,287**	11,941
BASIC AND DILUTED EARNINGS PER ORDINARY SHARE	9	**4.3p**	17.8p
UNDERLYING EARNINGS PER ORDINARY SHARE	9	**5.1p**	18.1p

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31st December, 2010

	Notes	2010 £000	2009 £000
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS		**3,287**	11,941
Unrealised (deficit) / surplus on revaluation of investment properties	23	**(550)**	794
Actuarial gain / (loss) recognised on defined benefit pension scheme	31	**1,681**	(1,820)
Deferred tax (charge) / credit on actuarial gain / (loss)	31	**(501)**	510
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR		**3,917**	11,425

GROUP STATEMENT OF CASH FLOWS

for the year ended 31st December, 2010

	Notes	2010 £000	2009 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	28	**58,158**	22,845
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received from investments		**12**	7
Interest received		**101**	290
Interest paid		**(801)**	(613)
Interest element of finance lease rental payments and stock finance		**(413)**	(259)
		(1,101)	(575)
CORPORATION TAX PAID		**(3,563)**	(2,659)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		**(31,273)**	(25,748)
Payments to acquire investments		**(10)**	-
Receipts from sales of tangible fixed assets		**6,686**	7,157
		(24,597)	(18,591)
ACQUISITIONS AND DISPOSALS			
Acquisition of businesses	12	**(7,870)**	-
Payment of deferred consideration on acquisition		**(582)**	(125)
Purchase of subsidiary undertakings		**-**	(6,545)
Net cash acquired with subsidiary undertakings		**-**	2,629
		(8,452)	(4,041)
EQUITY DIVIDENDS PAID	11	**(2,494)**	(7,930)
NET CASH INFLOW / (OUTFLOW) BEFORE FINANCING	28	**17,951**	(10,951)
FINANCING			
New loans	19	**27,439**	22,732
Repayment of loans	19	**(17,381)**	(16,169)
Repayment of capital element of finance leases	28	**(75)**	(70)
		9,983	6,493
INCREASE / (DECREASE) IN CASH AT BANK AND IN HAND	28	**27,934**	(4,458)

GROUP BALANCE SHEET
at 31st December, 2010

	Notes	2010 £000	2009 £000
FIXED ASSETS			
Intangible assets	12	**12,991**	10,971
Tangible assets	13	**129,516**	126,872
Investments:			
Investment in joint venture:			
Share of gross assets		**-**	29
Share of gross liabilities		**-**	(18)
		-	11
Other investments		**1,094**	713
Total investments	14	**1,094**	724
TOTAL FIXED ASSETS		**143,601**	138,567
CURRENT ASSETS			
Stocks	15	**108,320**	77,965
Debtors	16	**78,055**	96,479
Cash at bank and in hand	28	**48,730**	20,796
		235,105	195,240
CREDITORS: amounts falling due within one year	17	**(192,927)**	(150,916)
NET CURRENT ASSETS		**42,178**	44,324
TOTAL ASSETS LESS CURRENT LIABILITIES		**185,779**	182,891
CREDITORS: amounts falling due after more than one year	18	**(24,719)**	(21,889)
PROVISIONS FOR LIABILITIES	21	**(2,873)**	(2,656)
NET ASSETS BEFORE PENSION LIABILITY		**158,187**	158,346
PENSION LIABILITY	31	**(2,176)**	(3,765)
NET ASSETS		**156,011**	154,581
CAPITAL AND RESERVES			
Called up share capital	22	**15,733**	15,733
Revaluation reserve	23	**2,058**	2,608
Capital redemption reserve	23	**130**	130
Profit and loss account	23	**138,031**	136,058
SHAREHOLDERS' FUNDS	24	**155,952**	154,529
Minority interests		**59**	52
TOTAL CAPITAL EMPLOYED		**156,011**	154,581

On behalf of the Board:

Sir Michael Marshall)
) Directors
)
W. C. M. Dastur)

26th April, 2011

COMPANY BALANCE SHEET
at 31st December, 2010

	Notes	2010 £000	2009 £000
FIXED ASSETS			
Tangible assets	13	**211**	218
Investments	14	**17,133**	16,761
TOTAL FIXED ASSETS		**17,344**	16,979
CURRENT ASSETS			
Debtors	16	**20,771**	21,946
Cash at bank and in hand		**34,941**	10,644
		55,712	32,590
CREDITORS: amounts falling due within one year	17	**(46,307)**	(23,848)
NET CURRENT ASSETS		**9,405**	8,742
TOTAL ASSETS LESS CURRENT LIABILITIES		**26,749**	25,721
PENSION LIABILITY	31	**(2,176)**	(3,765)
		24,573	21,956
CAPITAL AND RESERVES			
Called up share capital	22	**15,733**	15,733
Capital redemption reserve	23	**130**	130
Profit and loss account	23	**8,710**	6,093
		24,573	21,956

On behalf of the Board:

Sir Michael Marshall)
)   Directors
)
W. C. M. Dastur)

26th April, 2011

1. ACCOUNTING POLICIES

Accounting convention and basis of preparation
The Group financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and investment properties, and comply with all applicable UK accounting standards. The true and fair override provisions of the Companies Act 2006 have been invoked. See 'Investment Properties' below.

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31st December each year. Entities, in which the Group holds an interest on a long-term basis and are jointly controlled by the Group and one or more other third party under a contractual arrangement, are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the gross equity method. In the financial statements of the Company, investments in subsidiaries are accounted for at the lower of cost and net realisable value. Fixed asset investments are shown at cost less provision for impairment, unless listed on the London Stock Exchange, where they are revalued to market price. No profit and loss account is presented for the parent company as permitted by section 408 of the Companies Act 2006.

Turnover
Turnover comprises the invoiced value of goods and services supplied by the company excluding trade discounts and value added tax. Turnover relating to long-term contracts represents the value of work performed during the year determined by reference to the stage of completion of the contract.

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The specific methods used to recognise the different forms of revenue earned by the company are set out below.

Sale of goods
Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured. Profit is recognised at the time of sale.

Long-term contracts
Turnover from long-term contracts is recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally determined by the proportion that contract costs incurred to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. If the nature of a particular contract means that costs incurred do not accurately reflect the progress of contract activity, an alternative approach is used such as the achievement of pre-determined contract milestones.

Revenue in respect of variations to contracts, claims and incentive payments are recognised when it is highly likely that it will be agreed by the customer. Profit attributable to long-term contracts is recognised if the final outcome of such contracts can be reliably assessed. On all contracts, full provision is made for any losses in the year in which they are first foreseen.

Rendering of services
Turnover from the provision of services is recognised when the service is complete.

Goodwill
Purchased goodwill, arising on the acquisition of businesses or subsidiary undertakings, is capitalised as an intangible asset and amortised on a straight line basis over an appropriate period representing its useful economic life of between 5 and 20 years. Where a business is sold, or where goodwill has been impaired, the net book value of goodwill or the amount of impaired goodwill, as applicable, is charged through the profit and loss account in the year of disposal or impairment.

Depreciation
Depreciation is provided on fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost or valuation, less estimated residual value, based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

Freehold buildings:

Residential properties	50 years	Leasehold land	over lease term
Garage properties	25 years	Leasehold buildings	over lease term
Hangars	20 years	Plant and machinery	3 - 8 years
Runway	20 years	Motor vehicles (except short term hire vehicles and leased vehicles)	3 - 4 years
Offices	15 - 40 years	Assets held for contract rental	over lease term
Temporary shelters	5 years	Aircraft	10 - 20 years

Vehicles acquired, whether by purchase or finance lease, for the purpose of letting under lease contracts, are depreciated evenly over the period of the lease contract to reduce the original cost to the estimated residual value at the end of the lease. The carrying values of tangible fixed assets are reviewed for impairment periodically if events or changes in circumstances indicate the carrying value may not be recoverable.

Investment properties
Certain of the Group's properties are held for long term investment. In accordance with SSAP 19, such investment properties are included in the balance sheet at valuation and the aggregate surplus or deficit is transferred to a revaluation reserve. No depreciation is provided in respect of investment properties. Although the Companies Act would normally require the systematic annual depreciation of fixed assets, the directors believe that this policy of not providing depreciation or amortisation is necessary in order for the financial statements to give a true and fair view since the current value of investment properties, and changes in that current value, are of greater importance than a calculation of systematic annual depreciation.

Investments
Investments listed on the London Stock Exchange are included at market value. All other investments are held at the lower of cost and net realisable value.

1. ACCOUNTING POLICIES (continued)

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives. Rental income from operating leases is recognised on a straight line basis over the lease term.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or the forward contract rate, if appropriate. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

Stocks, work in progress and long term contracts

Stocks and work in progress are valued at the lower of cost and net realisable value. In the case of work in progress, cost includes, where appropriate, labour and attributable production overheads. Long-term contract work in progress is stated at cost, as defined above, less amounts transferred to the profit and loss account, provision for any known or anticipated losses and payments on account received and receivable. Stocks held on consignment are accounted for in the balance sheet when the terms of a consignment agreement and commercial practice indicate that the principal benefit of owning the stock (the ability to sell it) and principal risks of ownership (stockholding cost, responsibility for safe-keeping and some risk of obsolescence) rest with the Group.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- provision is made for gains on disposal of fixed assets which have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.
- provision is made for the tax which would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates which are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

Pensions

The Group operates, for the benefit of its employees, three schemes, one of which has elements of both defined benefit and defined contribution, while the other two are entirely defined contribution. All the schemes are funded by the payment of contributions to trustee administered funds which are kept entirely separate from the assets of the Group. The level of pension contribution is determined with the advice of independent qualified actuaries. For the defined contribution schemes, contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. For the defined benefit scheme, regular valuations are prepared by an independent professionally qualified actuary. These determine the level of contributions required to fund the benefits set out in the rules of the plan and allow for the periodic increase of pensions in payment. The regular service cost of providing retirement benefits to employees during the year, together with the cost of any benefits relating to past service, is charged to operating profit in the year.

A credit representing the expected return on the assets of the retirement benefit schemes during the year is included within other finance income. This is based on the market value of the assets of the schemes at the start of the financial year. A charge representing the expected increase in the liabilities of the retirement benefit schemes during the year is also included within other finance income. This arises from the liabilities of the schemes being one year closer to payment. The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset, to the extent it is considered fully recoverable, or as a liability in the balance sheet net of deferred tax. Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses in the year, together with differences arising from changes in assumptions and are disclosed as actuarial gains or losses net of tax.

Post balance sheet events

The financial statements take into consideration events occurring between the year end date and the date of their approval by the Board of Directors, as indicated on the balance sheet. In accordance with FRS 21 equity dividends on ordinary share capital are recognised as a liability in the period in which they are declared.

2. SEGMENTAL ANALYSIS

The Group operates in the principal markets of motor retail and leasing, aerospace, land systems (military and civilian systems and vehicle engineering), and property rental and investment. An analysis of turnover, operating profit and net assets is given below. Operating profit excludes rent paid to other Group subsidiary undertakings. All of the turnover, operating profit and net assets arising from the acquisitions in the year are within the motor retail and leasing business segment and the UK geographical segment. Business segment net assets include the net book value of property owned by other Group subsidiary undertakings but occupied by the business segment.

	Turnover		Operating profit / (loss)		Net assets	
	2010	2009	**2010**	2009	**2010**	2009
	£000	£000	**£000**	£000	**£000**	£000
Business segments:						
Motor retail and leasing	**581,316**	453,254	**9,978**	6,598	**66,579**	58,301
Aerospace	**233,754**	247,147	**(3,621)**	11,813	**45,233**	53,277
Land systems	**67,454**	63,891	**1,807**	1,349	**9,401**	9,569
Property rental and investment	**1,450**	1,510	**877**	1,010	**11,093**	10,883
Unallocated central costs	**-**	-	**(3,837)**	(5,741)	**(18,303)**	3,688
	883,974	765,802	**5,204**	15,029	**114,003**	135,408
Unallocated net assets	**-**	-	**-**	-	**42,008**	19,173
	883,974	765,802	**5,204**	15,029	**156,011**	154,581

	Turnover by destination		Turnover by origin		Operating profit / (loss)		Net assets	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Geographical segments:								
UK	**821,125**	703,662	**860,596**	743,827	**2,191**	12,147	**109,164**	132,123
Rest of Europe	**29,447**	32,274	**4,970**	5,500	**1,091**	(822)	**529**	(626)
North America	**27,587**	23,438	**14,188**	11,569	**1,874**	2,208	**4,231**	2,902
Rest of World	**5,815**	6,428	**4,220**	4,906	**48**	1,496	**80**	1,009
	883,974	765,802	**883,974**	765,802	**5,204**	15,029	**114,003**	135,408
Unallocated net assets	**-**	-	**-**	-	**-**	-	**42,008**	19,173
	883,974	765,802	**883,974**	765,802	**5,204**	15,029	**156,011**	154,581

Segmental net assets comprise the non-interest bearing operating assets less the non-interest bearing operating liabilities. They, therefore, exclude assets in respect of cash and fixed asset investments as well as liabilities in respect of dividends, corporation tax and overdrafts, which together are disclosed as unallocated net assets.

	2010	2009
	£000	£000
Unallocated net assets comprise:		
Fixed asset investments	**1,094**	724
Corporation tax	**(88)**	(1,641)
Deferred tax	**(728)**	(706)
Loans	**(7,000)**	-
Cash	**48,730**	20,796
	42,008	19,173

3. COST OF SALES AND OPERATING EXPENSES

In relation to the acquisitions during the year, continuing operations in 2010 include cost of sales £34,364,000; distribution and selling costs £297,000; and administrative expenses £4,688,000.

4. OPERATING PROFIT

		2010	2009
		£000	£000
Operating profit is after charging / (crediting):			
Research and development	- current year expenditure	**1,416**	1,690
Auditors' remuneration	- audit of the financial statements	**40**	40
	- audit of subsidiary undertakings	**361**	330
	- taxation fees	**497**	345
	- other fees	**5**	14
Depreciation	- owned assets	**23,150**	22,020
	- leased assets	**73**	75
Profit on disposal of fixed assets		**47**	17
Amortisation	- goodwill	**1,603**	951
Operating lease rentals	- plant and machinery	**114**	660
	- land and buildings	**4,402**	3,071
Finance lease rental income	- motor vehicles	**(365)**	(469)
Operating lease rental income	- motor vehicles	**(18,769)**	(17,255)

5. PROFIT ON DISPOSAL OF TANGIBLE FIXED ASSETS

	2010	2009
	£000	£000
Deferred profit on prior year disposal of tangible fixed assets	**-**	816
Profit / (loss) on disposal of tangible fixed assets	**1,128**	(15)
	1,128	801

6. INTEREST

	2010	2009
	£000	£000
(a) Interest receivable		
Bank interest receivable	**90**	74
Interest receivable on tax repayments and other rebates	**1**	216
	91	290

	2010	2009
	£000	£000
(b) Interest payable and similar charges		
Bank loans and overdrafts	**801**	613
Finance lease charges	**8**	13
Stock finance charges	**405**	246
	1,214	872

7. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the financial statements of the parent company was £3,931,000 (2009 - £5,653,000).

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010	2009
	£000	£000
(a) Analysis of tax charge for the year		
UK corporation tax charge on the profit for the year	**1,419**	5,193
Double taxation relief	**(124)**	(167)
UK corporation tax adjustment in respect of prior years	**(349)**	(1,971)
Overseas tax on profit for the year	**1,072**	766
Overseas tax adjustment in respect of prior years	**(8)**	-
Current tax charge	**2,010**	3,821
Deferred tax credit	**(107)**	(656)
Total tax charge	**1,903**	3,165

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2010 £000	2009 £000
(b) Factors affecting current tax charge for the year		
Profit on ordinary activities before tax	**5,197**	15,106
Profit on ordinary activities before tax at 28% (2009 - 28%)	**1,455**	4,230
Effects of:		
Expenses not deductible for tax purposes	**660**	701
Capital allowances in (excess) / arrears of depreciation	**(181)**	587
Short term timing differences	**257**	53
Chargeable gains	**14**	-
Movements in unprovided deferred tax	**(187)**	201
Adjustments in respect of prior years	**(357)**	(1,971)
Overseas tax	**349**	20
Current tax charge	**2,010**	3,821

	2010 £000	2009 £000
(c) Tax included in group statement of total recognised gains and losses		
Deferred tax charge / (credit) on actuarial gain / (loss)	**501**	(510)

(d) Factors that may affect future tax charges
No provision has been made for deferred tax on gains recognised on revaluing property to its market value, or on the sale of properties where taxable gains have been rolled over into replacement assets. Such tax would become payable only if the properties concerned were sold without it being possible to claim rollover relief. The total amount unprovided in respect of these two elements is £6,410,000 (2009 - £6,826,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

In his Budget of 23 March 2011, the Chancellor of the Exchequer announced tax rate changes, which, if enacted in the proposed manner, will have an effect on the Company's future tax position. As at 31 December 2010, the tax rate changes announced in the Budget had not yet been 'substantively enacted' and as such, in accordance with accounting standards, the changes have not been reflected in the Company's financial statements as at 31 December 2010.

The Finance (No 2) Act 2010 reduced the main rate of UK Corporation Tax from 28% to 27% from 1 April 2011. Additional changes to the main rate of UK Corporation Tax announced in the Budget will reduce the main rate to 26% from 1 April 2011 and by 1% per annum to 23% by 1 April 2014. Deferred tax assets and liabilities at 31 December 2010 have been calculated at 27% and the reduction in the deferred tax asset/liability has been included within the tax charge for the year. Further UK tax changes, subject to enactment, are a reduction from 1 April 2012 in the rate of capital allowances applicable to plant and machinery and to integral features from 20% to 18% and 10% to 8% respectively.

The rate change and the capital allowance changes will also impact the future cash tax payment to be made by the Group.

(e) The Company is a close company within the provisions of the Corporation Tax Act, 2010.

9. EARNINGS PER ORDINARY SHARE

	2010 £000	2009 £000
Profit after tax	**3,294**	11,941
Minority interests	**(7)**	-
Dividends on preference shares	**(744)**	(1,488)
Basic earnings	**2,543**	10,453
Exceptional items net of tax	**(1,128)**	(801)
Goodwill amortisation and impairment	**1,603**	951
Underlying earnings	**3,018**	10,603
Average number of ordinary shares in issue during the year ('000)	**58,660**	58,660
Basic earnings per ordinary share	**4.3p**	17.8p
Underlying earnings per ordinary share	**5.1p**	18.1p

Basic earnings per ordinary share are calculated by dividing the basic earnings for the year by the average number of ordinary shares in issue during the year. Diluted earnings per share are calculated in the same way as currently there is no irrevocable commitment to issue shares in the future. Underlying earnings (which exclude exceptional items and goodwill amortisation) are adopted to assist the understanding of the underlying performance of the Group. Underlying earnings per share are calculated by dividing the underlying earnings for the year by the average number of ordinary shares in issue during the year.

10. STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2010	2009
	£000	£000
(a) Group staff costs		
Wages and salaries	**133,216**	124,958
Social security costs	**13,533**	11,826
Other pension costs (see note 31)	**3,719**	3,850
	150,468	140,634

Other pension costs include only those items included within operating costs. Items reported elsewhere have been excluded.

	2010	2009
The average monthly number of employees of the Group during the year was made up as follows:	**No.**	No.
Motor retail and leasing	**1,752**	1,662
Aerospace	**1,923**	1,895
Land systems	**560**	516
Property rental and investment	**25**	28
	4,260	4,101

	£000	£000
(b) Directors' remuneration		
Emoluments	**3,716**	2,814
Compensation for loss of office	**383**	-
Long term incentive payments	**273**	396
Company contributions to defined benefit pension scheme	**147**	131
Company contributions to defined contribution pension scheme	**44**	6
	4,563	3,347

	No.	No.
Contributing members of defined benefit pension scheme	**3**	3
Contributing members of defined contribution pension scheme	**1**	1

	£000	£000
Remuneration of highest paid director:		
Emoluments	**847**	901

11. DIVIDENDS

	2010	2009
	£000	£000
Dividends on ordinary shares:		
1.0p per ordinary share of 12.5p each paid on 2nd July 2010 (3rd July 2009 - 40.0p per ordinary share of £1 each)	**152**	2,933
0.5p per ordinary share of 12.5p each paid on 23rd December 2010 (23rd December 2009 - 3.625p)	**76**	550
	228	3,483
Dividends on NVPO shares:		
1.0p per ordinary share of 12.5p each paid on 2nd July 2010 (2009 - n/a)	**435**	-
2.5p per ordinary share of 12.5p each paid on 23rd December 2010 (23rd December 2009 - 5.625p)	**1,087**	2,446
	1,522	2,446
Dividends on preference shares:		
Paid in the year	**744**	1,488
Aggregate dividends declared during the year	**2,494**	7,417

12. INTANGIBLE FIXED ASSETS

	Goodwill
	£000
Cost:	
At 1st January, 2010	14,510
Arising on acquisitions	4,385
Adjustment to cost of acquisitions	(762)
At 31st December, 2010	18,133
Amortisation:	
At 1st January, 2010	3,539
Provided during the year	1,603
At 31st December, 2010	5,142
Net book value:	
At 31st December, 2010	**12,991**
Net book value:	
At 1st January, 2010	10,971

The acquisitions by Marshall of Cambridge (Motor Holdings) Limited of four franchises from Francis Motor Group in February 2010 and seven franchises from Pendragon plc in October 2010 have been included at provisional fair value at the date of acquisition, which is unchanged from book value at this date. The net assets at the date of acquisition are as follows:

	£000
Tangible fixed assets	702
Stock	2,783
Net assets	3,485
Provisional goodwill arising on acquisition	4,385
	7,870
Discharged by:	
Consideration paid	**7,870**

The adjustment to cost of acquisitions of £762,000 includes a revision to consideration, in respect of the acquisition of Slingsby Holdings Limited and its related subsidiaries in December 2009. The adjustment follows a review of the contingent goodwill based on the post acquisition performance of the acquired business.

13. TANGIBLE FIXED ASSETS

Group	Land and buildings Freehold	Investment properties	Short leasehold	Plant and machinery	Aircraft	Motor vehicles	Assets held for contract rental	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:								
At 1st January, 2010	75,357	9,060	3,246	95,428	8,764	6,310	58,800	256,965
Additions	1,467	5	150	7,068	62	707	21,633	31,092
Additions on acquisition	-	-	-	880	-	3	-	883
Disposals	(718)	-	(221)	(924)	-	(744)	(14,213)	(16,820)
Revaluation	-	(550)	-	-	-	-	-	(550)
Transfers	(74)	-	74	32	-	(32)	-	-
At 31st December, 2010	76,032	8,515	3,249	102,484	8,826	6,244	66,220	271,570
Depreciation:								
At 1st January, 2010	26,327	-	1,142	76,227	1,319	4,533	20,545	130,093
Provided during the year	2,207	-	252	7,320	394	744	12,306	23,223
Eliminated on disposals	(538)	-	(145)	(849)	-	(701)	(9,029)	(11,262)
Transfers	(10)	-	10	32	-	(32)	-	-
At 31st December, 2010	27,986	-	1,259	82,730	1,713	4,544	23,822	142,054
Net book value:								
At 31st December, 2010	**48,046**	**8,515**	**1,990**	**19,754**	**7,113**	**1,700**	**42,398**	**129,516**
Net book value:								
At 1st January, 2010	49,030	9,060	2,104	19,201	7,445	1,777	38,255	126,872

13. TANGIBLE FIXED ASSETS (continued)

Company	**Plant, machinery & building refurbishments £000**	**Motor vehicles £000**	**Total £000**
Cost:			
At 1st January, 2010	447	248	695
Additions	18	62	80
Disposals	(4)	(51)	(55)
At 31st December, 2010	461	259	720
Depreciation:			
At 1st January, 2010	300	177	477
Provided during the year	36	49	85
Eliminated on disposals	(2)	(51)	(53)
At 31st December, 2010	334	175	509
Net book value:			
At 31st December, 2010	**127**	**84**	**211**
Net book value:			
At 1st January, 2010	147	71	218

Assets acquired under finance leases

Included in plant and machinery are the following amounts relating to assets acquired by the Group under finance leases:

Group	**Plant and machinery £000**
Cost:	
At 1st January, 2010 and	
At 31st December, 2010	376
Depreciation:	
At 1st January, 2010	239
Provided during the year	73
31st December, 2010	312
Net book value:	
At 31st December, 2010	**64**
Net book value:	
At 1st January, 2010	137

Assets acquired to let under finance leases

The Group has purchased motor vehicles with an original cost of £67,000 (2009 - £65,000) for the purposes of letting under finance leases which are not shown as fixed assets.

Investment properties

Investment properties included in freehold land and buildings are stated at market value. No depreciation is provided in respect of such properties in accordance with current accounting practice. All other properties are included at original cost. The Group's freehold investment properties were informally valued on an open market basis by the Directors as at 31st December, 2010 at £8,515,000. A revaluation deficit of £550,000 has been taken to the revaluation reserve. The historical cost of the investment properties included at valuation in freehold land and buildings is £6,457,000 (2009 - £6,452,000).

14. INVESTMENTS

Group	Joint ventures £000	Listed on London Stock Exchange* £000	Other investments £000	Total £000
Cost:				
At 1st January, 2010	11	610	134	755
Additions	-	-	10	10
Disposals	-	-	(31)	(31)
Mark to market	-	384	-	384
At 31st December, 2010	11	994	113	1,118
Provision:				
At 1st January, 2010	-	-	31	31
Eliminated on disposal	-	-	(31)	(31)
Provided during the year	11	-	13	24
At 31st December, 2010	11	-	13	24
Net book value:				
At 31st December, 2010	**-**	**994**	**100**	**1,094**
Net book value:				
At 1st January, 2010	11	610	103	724

Marshall of Cambridge Aerospace Limited holds 50% of the issued ordinary share capital of BRAMA Brown & Root and Marshall Aerospace Limited (BRAMA). This company is disclosed as a joint venture in the Group financial statements and, as such, has been accounted for in accordance with the Group's accounting policy. The company is registered in England and Wales and did not trade during the year.

Company	Subsidiary undertakings £000	Listed on London Stock Exchange* £000	Other investments £000	Total £000
Cost:				
At 1st January, 2010	26,050	610	101	26,761
Additions	-	-	1	1
Mark to market	-	384	-	384
31st December, 2010	26,050	994	102	27,146
Provision:				
At 1st January, 2010	10,000	-	-	10,000
Provided during the year	-	-	13	13
At 31st December, 2010	10,000	-	13	10,013
Net book value:				
At 31st December, 2010	**16,050**	**994**	**89**	**17,133**
Net book value:				
At 1st January, 2010	16,050	610	101	16,761

* The original cost of investments listed on the London Stock Exchange is £190,000 (2009 - £190,000)

14. INVESTMENTS (continued)

The Company's direct investments in subsidiary undertakings at 31st December, 2010 were as follows:

Subsidiary undertaking	Proportion held	Ordinary Shares of £1 each	Principal activity	Cost £000
Marshall of Cambridge Aerospace Limited	100%	12,000,000	Aerospace engineering	12,000
Marshall Specialist Vehicles Limited	100%	12,000,000	Military and land systems engineering	12,000
MGPH Limited	100%	500,000	Property holding	1,734
Marshall of Cambridge (Motor Holdings) Limited	100%	2,250,000	Motor retail and leasing	269
Marshall Land Systems Limited	100%	12,000	Holding company	20
The Cambridge Aero Club Limited	100%	5,000	Flying instruction & aircraft charter	17
Marshall of Cambridge (Airport Properties) Limited	100%	10,000	Farming and property holding	10
Marshall of Cambridge (Engineering) Limited	100%	100	Dormant	-
				26,050

The following companies are subsidiary undertakings of Marshall of Cambridge (Motor Holdings) Limited:

* Marshall Motor Group Limited
* Marshall of Cambridge (Garage Properties) Limited
* Marshall Leasing Limited
* Marshall North West Limited
* Tim Brinton Cars Limited
* + Marshall Commercial Vehicles Limited
** Marshall of Ipswich Limited
** Marshall of Peterborough Limited
** Marshall of Stevenage Limited
*** Gates Contract Hire Limited

* *Wholly owned by Marshall of Cambridge (Motor Holdings) Limited*
** *99% owned by Marshall of Cambridge (Motor Holdings) Limited*
*** *Wholly owned by Marshall Leasing Limited*
\+ *Dormant*

All the above subsidiary undertakings of Marshall of Cambridge (Motor Holdings) Limited carry on the business of car and commercial vehicle and equipment sales, distribution, service, leasing, hire and associated activities except Marshall of Cambridge (Garage Properties) Limited (property holding) and those companies marked as dormant above.

Marshall Thermo King Limited and Marshall Fleet Solutions Limited are wholly owned subsidiaries of Marshall Land Systems Limited, and specialise in commercial and military vehicle repair and vehicle mounted refrigeration maintenance. Jack Roberts (Tail Lifts) Limited is a wholly owned subsidiary of Marshall Fleet Solutions Limited and is dormant.

Marshall Vehicle Engineering Limited and Marshall SDG Limited are wholly owned subsidiaries of Marshall Specialist Vehicles Limited. Marshall Vehicle Engineering Limited manufactures, assembles and integrates load beds onto vehicle chassis and Marshall SDG Limited provides engineering design, development and manufacture of unmanned aerial vehicles and other products.

The following companies are subsidiary undertakings of Marshall of Cambridge Aerospace Limited:

* Aeropeople Limited
** Aeropeople Gmbh
* Slingsby Holdings Limited
*** Slingsby Limited
*** Slingsby Advanced Composites Limited
*** Slingsby Aerospace Limited
*** Slingsby Aviation Limited
* + Marshall Aerospace International Services Limited
* Marshall Aerospace Canada Inc
* Marshall Aerospace Netherlands B.V.
* Marshall Aerospace Australia Pty Limited
* + Marshall Aerospace U.S. Inc

* *Wholly owned by Marshall of Cambridge Aerospace Limited*
** *Wholly owned by Aeropeople Limited*
*** *Wholly owned by Slingsby Holdings Limited*

Aeropeople Limited supplies labour to the aerospace and associated industries. The Slingsby companies design, manufacture and market composite and metal structures for the defence, aerospace/aviation, marine and rail industries.

All of the subsidiary undertakings referred to above are registered in England and Wales.

Marshall Aerospace Canada Inc is registered in Canada and provides design and engineering support and labour supplies to the aerospace industry. Marshall Aerospace Netherlands B.V. is registered in the Netherlands and provides design and engineering support to the aerospace industry. Marshall Aerospace Australia Pty is registered in Australia and provides design and engineering support to the aerospace industry. Aeropeople Gmbh is registered in Germany and supplies labour to the aerospace and automotive industries. Marshall Aerospace U.S. Inc is registered in the state of California, USA and has not yet begun to trade.

	Group	
	2010	2009
15. STOCKS	**£000**	£000
Raw materials, components and consumables	**14,873**	14,643
Work in progress	**14,008**	7,421
Finished goods and goods for resale	**79,439**	55,901
	108,320	77,965

Progress payments receivable in excess of the value of work done on individual contracts less provisions for losses are shown separately under creditors: amounts falling due within one year in the balance sheet. At 31st December, 2010, the Group held new vehicles on consignment from manufacturers with a value of £30,818,000 (2009 - £21,381,000) which are included within finished goods and goods for resale. Of these vehicles, stock of £10,322,000 (2009 - £5,021,000) has a right of return to the manufacturer, which is rarely executed, and £20,496,000 (2009 - £16,360,000) has been invoiced. No deposit has been paid for these vehicles, and the terms of consignment vary by manufacturer and are between 90 days and 1 year. The difference between purchase price and production cost of stocks and their replacement cost is not material.

	Group		Company	
	2010	2009	**2010**	2009
16. DEBTORS	**£000**	£000	**£000**	£000
Trade debtors	**46,820**	56,393	**7**	5
Amounts recoverable on long term contracts	**12,365**	21,130	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**19,631**	17,976
Other debtors	**13,720**	14,448	**-**	-
Prepayments and accrued income	**4,416**	3,606	**129**	87
Other taxes recoverable	**125**	71	**-**	-
Corporation tax	**-**	-	**742**	3,573
Deferred tax	**-**	-	**262**	305
Finance lease debtors	**609**	831	**-**	-
	78,055	96,479	**20,771**	21,946

	Group		Company	
	2010	2009	**2010**	2009
17. CREDITORS: Amounts falling due within one year	**£000**	£000	**£000**	£000
Loans (see note 19)	**23,245**	15,516	**7,000**	-
Payments received on account	**11,409**	12,039	**-**	-
Trade creditors	**89,110**	56,800	**58**	55
Amounts owed to subsidiary undertakings	**-**	-	**35,074**	19,105
Corporation tax	**88**	1,641	**-**	-
Other taxes and social security costs	**6,071**	5,207	**240**	103
Other creditors	**14,217**	11,690	**-**	-
Accruals and deferred income	**48,730**	47,948	**3,935**	4,585
Obligations under finance leases (see note 20)	**57**	75	**-**	-
	192,927	150,916	**46,307**	23,848

18. CREDITORS: Amounts falling due after more than one year

	Group	
	2010	2009
	£000	£000
Loans (see note 19)	**17,764**	15,435
Accruals and deferred income	**6,936**	6,378
Obligations under finance leases (see note 20)	**19**	76
	24,719	21,889

19. LOANS

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Amounts falling due:				
Within one year	**23,245**	15,516	**7,000**	-
Between one and two years	**11,547**	10,897	**-**	-
Between two and five years	**6,217**	4,538	**-**	-
	41,009	30,951	**7,000**	-
Less: included in creditors: amounts falling due within one year	**(23,245)**	(15,516)	**(7,000)**	-
Amounts falling due after more than one year	**17,764**	15,435	**-**	-
Analysis of changes in loan financing during the year:				
At 1st January	**30,951**	24,388	**-**	-
New loans	**27,439**	22,732	**7,000**	-
Loans repaid	**(17,381)**	(16,169)	**-**	-
At 31st December	**41,009**	30,951	**7,000**	-

£7,000,000 of the amounts falling due within one year relates to a revolving credit facility. All other loans are repayable within 5 years with a variable interest rate and are secured on vehicles leased to third parties.

20. OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2010	2009
	£000	£000
Amounts falling due:		
Within one year	**60**	83
Between one and two years	**20**	61
Between two and five years	**-**	19
	80	163
Less: finance charges allocated to future periods	**(4)**	(12)
	76	151
Included in creditors:		
Amounts falling due within one year	**57**	75
Amounts falling due after more than one year	**19**	76
	76	151

21. PROVISIONS FOR LIABILITIES

	Group	
	2010	2009
	£000	£000
Warranty	**2,145**	1,950
Deferred tax	**728**	706
	2,873	2,656

	Group
	£000
(a) Warranty	
At 1st January, 2010	1,950
Arising during the year	1,308
Amounts utilised	(640)
Amounts reversed	(473)
At 31st December, 2010	**2,145**

A provision is recognised for expected warranty claims on products sold. It is expected that the majority of the warranty costs will be incurred in the next five years. A subsidiary undertaking has an obligation to provide a five year warranty from delivery date on certain products that are likely to continue in production until 2013. At the year end the provision is based on the number of units delivered and an estimate of the potential warranty cost per unit.

(b) Deferred tax

The deferred tax liability / (asset) provided in the financial statements is made up as follows:	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Accelerated capital allowances	**2,144**	2,024	**(24)**	(27)
Other short term timing differences	**(1,416)**	(1,318)	**(238)**	(278)
	728	706	**(262)**	(305)

The movement in the deferred tax liability / (asset) during the year is as follows:	Group	Company
	£000	**£000**
At 1st January, 2010	706	(305)
Credit for the year	(107)	(86)
Spreading of tax credit on pension contributions	287	287
Charge on actuarial gain	501	501
Decrease in deferred tax credit on pension deficit	(659)	(659)
At 31st December, 2010	**728**	**(262)**

The deferred tax credit for the year is made up as follows:	Group	
	2010	2009
	£000	£000
Origination and reversal of timing differences	**(120)**	(705)
Adjustments in respect of prior periods	**13**	49
	(107)	(656)

The deferred tax liability not provided is made up as follows:	Group	
	2010	2009
	£000	£000
Capital gains rolled over	**5,946**	5,908
Revaluation reserve	**464**	918
	6,410	6,826

22. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid			
	2010	2009	**2010**	2009	**2010**	2009
	£000	£000	**No. '000**	No. '000	**£000**	£000
Ordinary shares of 12.5p each	**1,955**	1,955	**15,170**	15,170	**1,896**	1,896
Non-voting priority dividend ordinary shares of 12.5p each	**7,645**	7,645	**43,490**	43,490	**5,437**	5,437
8% 'A' preference shares of £1 each	**4,800**	4,800	**4,800**	4,800	**4,800**	4,800
10% 'B' preference shares of £1 each	**3,600**	3,600	**3,600**	3,600	**3,600**	3,600
	18,000	18,000	**67,060**	67,060	**15,733**	15,733

Rights of non-voting priority dividend ordinary (NVPO) shares

(i) holders of NVPO shares are entitled to a priority dividend of 2p in priority to any dividend payable on the ordinary shares, together with a dividend per NVPO equal to the amount of any dividend declared on each ordinary share.

(ii) holders of NVPO shares cannot attend or vote at an AGM but in all other respects the shares rank pari passu with ordinary shares.

Rights of preference shares

(i) holders of preference shares are entitled, in priority to the holders of ordinary shares and the holders of NVPO shares, to non-cumulative preference dividends as follows:
- in respect of the 'A' preference shares 8p per share
- in respect of the 'B' preference shares 10p per share

(ii) on a return of capital on a winding up or redemption, the preference shares carry the right to repayment of capital at par; this right is in priority to the rights of ordinary shareholders.

23. SHAREHOLDERS' FUNDS

Group	Share capital	Revaluation reserve*	Capital redemption reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000	£000
At 1st January, 2010	15,733	2,608	130	136,058	154,529
Profit for the year after minority interests	-	-	-	3,287	3,287
Dividends payable	-	-	-	(2,494)	(2,494)
Deficit on revaluation of investment properties	-	(550)	-	-	(550)
Actuarial gain net of tax	-	-	-	1,180	1,180
At 31st December, 2010	**15,733**	**2,058**	**130**	**138,031**	**155,952**

*The revaluation reserve relates to investment properties only.

Company	Share capital	Capital redemption reserve	Profit and loss account	Total shareholders' funds
	£000	£000	£000	£000
At 1st January, 2010	15,733	130	6,093	21,956
Profit for the year	-	-	3,931	3,931
Dividends payable	-	-	(2,494)	(2,494)
Actuarial gain net of tax	-	-	1,180	1,180
At 31st December, 2010	**15,733**	**130**	**8,710**	**24,573**

24. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Group		Company	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Profit attributable to shareholders	**3,294**	11,941	**3,931**	5,653
Minority interests	**(7)**	-	**-**	-
Dividends	**(2,494)**	(7,417)	**(2,494)**	(7,417)
	793	4,524	**1,437**	(1,764)
Revaluation of investment properties	**(550)**	794	**-**	-
Actuarial gain / (loss) net of tax	**1,180**	(1,310)	**1,180**	(1,310)
Exchange difference on translation of overseas operations	**-**	(77)	**-**	-
Net increase / (decrease) in shareholders' funds	**1,423**	3,931	**2,617**	(3,074)
Shareholders' funds at 1st January	**154,529**	150,598	**21,956**	25,030
Shareholders' funds at 31st December	**155,952**	154,529	**24,573**	21,956

25. CONTINGENT LIABILITIES

Guarantees to third parties, granted by subsidiary undertakings, amounted to £2,098,000 (2009 - £2,149,000). At the year end there was no liability in respect of performance guarantees granted by the Company or subsidiary undertakings (2009 - £nil).

26. CAPITAL COMMITMENTS

	Group	
	2010	2009
	£000	£000
Authorised by the Board and contracted but not provided for	**3,191**	234

These commitments to invest in fixed assets have been made by subsidiary undertakings.

27. OTHER FINANCIAL COMMITMENTS

The Group leases a number of properties, equipment and vehicles under operating leases.
The minimum annual rentals under these leases are as follows:

	Group			
	Land and buildings		Other	
	2010	2009	**2010**	2009
	£000	£000	**£000**	£000
Operating leases which expire:				
- within 1 year	**415**	422	**5**	10
- in 1 to 5 years	**1,533**	1,587	**73**	263
- over 5 years	**2,100**	866	**-**	-
	4,048	2,875	**78**	273

28. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash inflow from operating activities	2010 £000	2009 £000
Operating profit	**5,204**	15,029
Depreciation and impairment of tangible fixed assets	**23,223**	22,095
Amortisation and impairment of intangible fixed assets	**1,603**	951
Provision against fixed asset investments	**24**	-
Mark to market of fixed asset investments	**(384)**	(277)
(Increase) / decrease in stocks	**(27,572)**	4,346
Decrease / (increase) in debtors	**18,390**	(8,123)
(Decrease) / increase in provisions	**(1,394)**	2,261
Increase / (decrease) in creditors	**39,714**	(12,337)
Cash inflow from operating activities before additional contribution to the pension fund	**58,808**	23,945
Additional contribution to the pension fund	**(650)**	(1,100)
Net cash inflow from operating activities	**58,158**	22,845

(b) Analysis of net (debt) / cash	At 1st January 2010 £000	Cash movement £000	Non - cash movement £000	At 31st December 2010 £000
Cash at bank and in hand	20,796	27,934	-	**48,730**
Short term loans	(15,516)	1,303	(9,032)	**(23,245)**
Long term loans	(15,435)	(11,361)	9,032	**(17,764)**
Finance lease obligations	(151)	75	-	**(76)**
Net (debt) / cash	(10,306)	17,951	-	**7,645**

(c) Reconciliation of net cash flow to movement in net debt	2010 £000	2009 £000
Increase / (decrease) in cash	**27,934**	(4,458)
Cash inflow from new loans	**(27,439)**	(22,732)
Repayment of loans	**17,381**	16,169
Repayment of capital element of finance leases	**75**	70
Increase / (decrease) in net cash	**17,951**	(10,951)
Net (debt) / cash at 1st January	**(10,306)**	645
Net cash / (debt) at 31st December	**7,645**	(10,306)

29. RELATED PARTIES

The parent company has claimed the exemptions under FRS 8 and has not disclosed transactions with subsidiary undertakings.

30. DERIVATIVES

The Group purchases forward foreign currency contracts to hedge currency exposure. The fair values of the derivatives held at the balance sheet date, are as follows:

	2010 £000	2009 £000
Forward contracts for the purchase of foreign currency	**811**	924
Forward contracts for the sale of foreign currency	**708**	6,515

31. PENSIONS AND OTHER RETIREMENT BENEFIT COSTS

(a) The Group operates, for the benefit of its employees, three schemes, one of which has elements of both defined benefit and defined contribution, while the other two are entirely defined contribution. All the schemes are funded by the payment of contributions to trustee administered funds which are kept entirely separate from the assets of the Group. The level of pension contribution is determined with the advice of independent qualified actuaries.

(b) The scheme which has elements of both defined benefit and defined contribution, is known as the Marshall Group Executive Pension Plan (the "Plan"). The defined contribution type schemes, which cover approximately 95% of scheme members, were established in 1982 and 1988. The total pension cost for the Group for the year in respect of all defined contribution schemes in the UK was £3,029,000 (2009 - £3,057,000). A further £89,000 (2009 - £87,000) was paid into defined contribution schemes overseas. The total defined benefit cost for the Group in respect of the Plan was £625,000 (2009 - £972,000) under FRS 17 of which £601,000 (2009 - £823,000) has been charged against operating profit and £24,000 has been charged (2009 - £149,000) to other finance costs.

(c) The Plan was assessed by a qualified independent actuary from Buck Consultants, as at 6th April, 2008 using the projected unit method and indicated a funding deficit of £1,318,000. To address the past service deficit, the Company and the Trustees have agreed that the Company will pay contributions of £650,000 annually in arrears over a period of three years. The first contribution was made in December 2009, the second in December 2010 and the third was paid in April 2011.The valuation of the defined benefit section of the Plan under FRS 17 has been based on this actuarial valuation, updated by the actuary from Buck Consultants in order to assess the assets and the liabilities of the scheme as at 31st December, 2010. The assets and liabilities shown exclude those relating to defined contribution pensions.

i) The major financial assumptions used by the actuary as at 31st December, 2010 were:	**2010**	2009
Discount rate	**5.45%**	5.75%
Rate of increase in salaries	**3.80%**	4.31%
Rate of increase in pensions in payment	**3.65%**	3.85%
Inflation assumption	**3.19%**	3.70%

ii) Analysis of the amount charged against profits:

	2010
	£000
Finance income	
Expected return on pension scheme assets	**1,654**
Interest on pension scheme liabilities	**(1,678)**
Net charge to finance income	**(24)**
Operating profit	
Current service cost	**(601)**
Total charge	**(625)**

iii) The amount included in the balance sheet and the expected long-term rate of return as at 31st December, 2010 were:

	Rate of return	**2010**	Rate of return	2009
	%	**£000**	%	£000
Equities	**7.60**	**15,533**	7.95	11,458
Property	**7.35**	**4,859**	8.20	2,915
Government stock	**-**	**-**	4.45	2,243
Corporate bonds	**-**	**-**	5.76	2,130
Liability driven investments	**5.29**	**3,550**	5.57	3,177
Cash	**0.50**	**1,601**	0.50	227
Total market value of assets		**25,543**		22,150
Present value of insured annuity policies		**1,783**		1,809
Fair value of assets		**27,326**		23,959
Present value of scheme liabilities		**(30,307)**		(29,188)
Deficit in the scheme as at 31 December		**(2,981)**		(5,229)
Related deferred tax asset		**805**		1,464
Net pension liability		**(2,176)**		(3,765)

Note: The difference between assets and liabilities is extremely volatile; it can alter significantly depending on the date at which the measurements are carried out.

iv) The movement in the fair value of the assets in the scheme is as follows:

	2010 £000	2009 £000
Fair value at 1st January	**23,959**	19,974
Expected return on assets	**1,654**	1,384
Actuarial gain	**1,778**	2,025
Employers' contributions	**1,192**	1,739
Contributions by scheme participants	**42**	46
Benefits paid	**(1,299)**	(1,209)
Fair value at 31st December	**27,326**	23,959

v) The movement in the present value of the liabilities in the scheme is as follows:

	2010 £000	2009 £000
Present value at 1st January	**29,188**	24,150
Current service cost	**601**	823
Interest cost	**1,678**	1,533
Actuarial loss	**97**	3,845
Contributions by scheme participants	**42**	46
Benefits paid	**(1,299)**	(1,209)
Present value at 31st December	**30,307**	29,188

vi) Analysis of the amount recognised in the statement of total recognised gains and losses

	2010 £000	2009 £000
Actuarial gain on scheme assets	**1,778**	2,025
Actuarial loss on scheme liabilities	**(97)**	(3,845)
Actuarial gain / (loss)	**1,681**	(1,820)
Deferred tax (charge) / credit thereon	**(501)**	510
Actuarial gain / (loss) net of tax recognised in the statement of total recognised gains and losses	**1,180**	(1,310)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is a net loss of £8,790,000 (2009 - £10,471,000).

vii) The movement in the deficit is as follows:

	2010 £000	2009 £000
Deficit in the scheme at 1st January	**(5,229)**	(4,176)
Current service cost	**(601)**	(823)
Employers' contributions	**1,192**	1,739
Finance	**(24)**	(149)
Actuarial gain / (loss)	**1,681**	(1,820)
Deficit in the scheme at 31 December	**(2,981)**	(5,229)

viii) The five year history of experience adjustments is as follows:

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Experience adjustments on scheme assets	**1,778**	2,025	(6,222)	(1,027)	763
Experience adjustments on scheme liabilities	**598**	135	(859)	1,073	(638)
Total amount recognised in the statement of total recognised gains and losses	**1,681**	(1,820)	(5,757)	2,168	1,396
Fair value of scheme assets	**27,326**	23,959	19,974	24,936	23,887
Present value of scheme liabilities	**(30,307)**	(29,188)	(24,150)	(23,633)	(25,847)
(Deficit) / surplus in the scheme	**(2,981)**	(5,229)	(4,176)	1,303	(1,960)

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MARSHALL OF CAMBRIDGE (HOLDINGS) LIMITED

We have audited the financial statements of Marshall of Cambridge (Holdings) Limited for the year ended 31st December 2010 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group Cash Flow Statement, the Group and Parent Company Balance Sheets, and the related notes 1 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31st December 2010 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Cambridge

26th April, 2011

RECENT FINANCIAL HISTORY

	2006 £000	2007 £000	2008 £000	2009 £000	**2010** **£000**
Turnover	633,207	707,520	724,172	765,802	**883,974**
Operating profit before operating and non-operating exceptional items	17,239	14,725	7,069	15,029	**5,204**
Exceptional items: Profit on disposal of tangible fixed assets	153	10,192	1,079	801	**1,128**
	17,392	24,917	8,148	15,830	**6,332**
Net interest / investment income	1,130	(870)	(1,116)	(724)	**(1,135)**
Profit before tax	18,522	24,047	7,032	15,106	**5,197**
Taxation	(6,462)	(5,811)	(1,523)	(3,165)	**(1,903)**
Minority interests	-	(3)	8	-	**(7)**
Dividends charged	(1,844)	(2,284)	(3,237)	(7,417)	**(2,494)**
Retained profit	10,216	15,949	2,280	4,524	**793**
Ordinary dividends per share paid and proposed for the year*	2.375p	2.75p	2.75p	1.5p	**1.5p**
Special and Centennial dividends per ordinary share*	-	1.5p	3.125p	3.125p	**-**
NVPO dividends per share paid and proposed for the year	-	-	-	3.5p	**3.5p**
Dividend cover (excluding special dividends)	6.5	8.0	2.3	4.0	**1.4**
Basic earnings per share	19.3p	29.8p	8.1p	17.8p	**4.3p**
Underlying earnings per share	19.8p	14.6p	7.7p	18.1p	**5.1p**
Return on average shareholders' funds	14.1%	16.6%	4.6%	9.9%	**3.3%**
Cash balance at year end	23,299	14,899	25,254	20,796	**48,730**
Cash generated/(utilised)	8,515	(8,400)	10,355	(4,458)	**27,934**
Capital expenditure, acquisitions and investment (net)	23,762	23,570	27,776	22,632	**33,049**
Average no. of staff	3,584	3,876	3,950	4,101	**4,260**
Fixed assets	113,812	126,452	132,864	138,567	**143,601**
Net current assets	43,886	48,526	41,189	44,324	**42,178**
Creditors over one year, provisions, pension liability and minority interests	(19,826)	(21,938)	(23,455)	(28,362)	**(29,827)**
Shareholders' funds	137,872	153,040	150,598	154,529	**155,952**

*Prior year dividends restated to reflect the share split in 2009.

MARSHALL OF CAMBRIDGE (HOLDINGS) LIMITED
TWENTY FIFTH ANNUAL GENERAL MEETING

NOTICE OF MEETING

Notice is hereby given that the Twenty Fifth Annual General Meeting of the Ordinary Shareholders of Marshall of Cambridge (Holdings) Limited will be held at 11.30 am on Wednesday 8th June, 2011 at The Airport, Cambridge, in accordance with the attached Agenda.

J D Barker
Secretary

Dated this 26th April, 2011
by Order of the Board

A Member entitled to attend and vote at the Meeting may appoint a Proxy to attend to vote instead of him / her, and such Proxy need not also be a Member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so. In order to be valid, any form of proxy and a power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, in order to be valid, must reach The Company Secretary at Airport House, Newmarket Road, Cambridge CB5 8RY, not less than 48 hours before the time of the meeting or of any adjournment of the meeting.

Registration Number 2051460 Registered Office: Airport House, Newmarket Road, Cambridge, CB5 8RY, England

MARSHALL OF CAMBRIDGE (HOLDINGS) LIMITED
TWENTY FIFTH ANNUAL GENERAL MEETING

Wednesday 8th June, 2011 at 11.30 am

AGENDA

1. The Notice convening the Meeting to be taken as read.

2. Proxies.

3. Minutes of the Annual General Meeting held on 2nd June, 2010.

4. Statement by the Chairman of Marshall of Cambridge (Holdings) Limited.

5. To receive the Directors' Report and Financial Statements for the year ended 31st December, 2010, together with the Auditor's Report thereon and a Resolution to be proposed, seconded and put to the vote THAT they be and are hereby approved and adopted.

6. A Resolution to be proposed, seconded and put to the vote THAT a final ordinary dividend of 1p per share amounting to £586,600 be paid on 1st July, 2011 to both ordinary and non voting priority dividend ordinary (NVPO) shareholders, which together with the interim dividend of 0.5p per ordinary share amounting to £75,850 paid on 23rd December, 2010 to ordinary shareholders and the interim dividend of 2.5p per NVPO share amounting to £1,087,250 paid on 23rd December 2010 to NVPO shareholders, gives a total ordinary dividend of 1.5p per ordinary share amounting to £227,550 and 3.5p per NVPO share amounting to £1,522,150. Such dividend to be paid to those shareholders whose names appear on the register of members at the close of business on 8th June, 2011.

7. Resolutions to be proposed, seconded and put to the vote THAT :

   i. C J Sawyer, who retires by rotation, be re-appointed as a Director
   ii. P J Harvey, who retires by rotation, be re-appointed as a Director

8. A Resolution to be proposed, seconded and put to the vote THAT Ernst & Young LLP be re-appointed as Auditors until the completion of the next Annual General Meeting and that their remuneration be fixed by the Directors.

9. **Special Business – adoption of new Articles of Association**
   As special business, a special resolution, to be considered and if thought fit, proposed, seconded and put to the vote THAT the Articles of Association set out in the document produced to the meeting and initialled by the Chairman of the meeting for identification be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association.

10. To propose the date of the next Annual General Meeting - Wednesday 6th June, 2012.

11. Any other business.

KEY GROUP PERSONNEL

MARSHALL GROUP OF COMPANIES	
Sir Michael Marshall	Chairman & Chief Executive
R D Marshall	Group Chief Operating Officer
W C M Dastur	Group Financial Director
J D Barker	Company Secretary
S J Moynihan	Group Financial Controller & Head of Group Insurance
T M Holloway	Group Support Executive
G J Moynehan	Group Internal Audit Manager
MARSHALL MOTOR GROUP	
D Gupta	Chief Executive
C M H Walkinshaw	Business Development Director
F Laud	Financial Director
C A Burman	Director of Human Resources
M A Furniss	Franchise Director
A A Lewis	Franchise Director
S Myers	Director of Sales Process & F&I
S Robinson	Franchise Director
C M Sheppard	Franchise Director
N Tonks	Group After Sales & Corporate Sales Director
N Ward	Franchise Director
E E A Parfitt	Group Corporate Sales Manager
MARSHALL LEASING	
P G Cakebread	Managing Director
J A Ross	Sales & Marketing Director
P Targett	Customer Services Director
MARSHALL AEROSPACE	
S Fitz-Gerald	Chief Executive
G J Clark	Financial Director
N M Jennion	Operations Director
B Phillipson	Engineering Director
K J Bishop	Managing Director - Aeropeople
S M Boyd	Managing Director - Slingsby
K Hussey	Human Resources Director
C J Way	Director of Finance - Aeropeople
I Young	Chief Test Pilot
MARSHALL LAND SYSTEMS	
P W Callaghan	Chief Executive
R D Cutting	Managing Director - MSV
P Hardisty	Managing Director - MVE
J Harris	Managing Director - MSDG
A J Howells	Managing Director - MFS
T Otter	Future Business Director
A Pettitt	Financial Director
E Gedney	Commercial Director - MFS
N Highnam	Head of Contract Maintenance - MFS
I Hopkins	Operations Director - MFS
J Borthwick	Commercial Manager
D Cattermole	Head of Human Resources
CAMBRIDGE AIRPORT	
A Garden	Airport Director