Report and accounts for the 15 months ended 31 March 2022

Building extraordinary futures

MARSHALL

Marshall is a unique private company committed to making a difference through providing support and services to its growing customer base.

At its core, Marshall is determined to develop and deliver long-term value while also noticeably contributing to our communities and planet. Marshall has eight principal arms to the business:

• Marshall Aerospace • Marshall Land Systems • Marshall Group Properties • Marshall Fleet Solutions • Marshall Slingsby Advanced Composites • Marshall Skills Academy • Marshall Futureworx • Marshall Motor Holdings*

* Marshall Motor Holdings was sold after the period end to Constellation Automotive Group

Purpose

Building extraordinary futures

How we do it

By finding ingenious and sustainable answers that unlock exciting possibilities for our customers, our community, our people and our planet

What we do

We partner with our customers to deliver industry-leading products, services and support that have the power to transform the markets in which they operate

Highlights

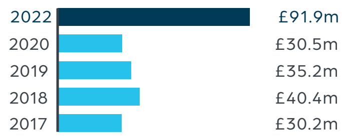
Financial Highlights[1]

Revenue (£m)

£4,176m

Profit before tax (£m)

£91.9m



Underlying profit before tax[2] (£m)

£100.7m

Net (debt)/cash[2] (£m)

£(21.5)m

Operating cash flow (£m)

£76.3m

Return on capital employed (ROCE)[2] (%)

28.8%

1 Following the announcement in November 2021 of the proposed sale of our shareholding in Marshall Motor Holdings plc ('MMH'), the Group's accounting reference date has been changed to the 31 March. It is intended that this will revert to 31 December for subsequent periods. Figures for 2022 are for a 15-month accounting period, comparatives are for 12 months. For the period ended 31 March 2022, MMH contributed 90% (2020: 87%) of the Group's revenue and 87% (2020: 48%) of the Group's profit before tax.

2 See page 14 for KPI definition.

- Total Ordinary Dividends to Ordinary and NVPO shareholders maintained at 4.0p and 6.0p per share respectively. Following the sale of its shareholding in Marshall Motor Holdings an additional Special Ordinary dividend of 76.0p to both Ordinary and NVPO shareholders was paid

Operational highlights

- Strategic re-alignment of our Company portfolio with the disposal of Marshall Motor Holdings plc (MMH), Aeropeople and Martlet capital
- Cambridge East development included in the Preferred Options for the Greater Cambridge Local Plan
- Exceptional performance in MMH due to market tailwinds and the acquisition of Motorline
- Aerospace continued to capitalise on its enabling contract with the US Marine Corps
- Our Global 6000 programme transitioned into a support contract in the period, however the main programme sustained further loss as it re-baselined to a 2022 completion
- Land Systems secured a new facility in New Brunswick, Canada, but faced challenges in meeting the production demands of high volume programmes in the UK
- Covid-19 headwinds continued to present significant challenges, specifically employee absence and supply chain shortages
- The implementation of a new ERP system impacted operational performance at both Aerospace and Land Systems
- Fleet Solutions launched its renewables division to support customers on the road to net zero
- Skills Academy secured its first contract to deliver aerospace apprenticeships on behalf of Bombardier

After the period end, we agreed a contract price adjustment in relation to the early retirement of the UK C-130 fleet. This will compensate Marshall for the loss of work and recovery of committed overhead costs over the next years.

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Alignment of purpose, strategy and culture

MARSHALL

Purpose

Building extraordinary futures

Marshall is a unique private company committed to making a difference through developing the assets we own and providing support, products and services to its growing customer base; support which cannot be provided as effectively by others. At its core, Marshall is determined to develop and deliver long-term value through building extraordinary futures for customers, communities, people and planet.

Strategy

Despite a continued challenging business environment, the overarching strategic objective of Marshall Group remains certain: to ensure sustainable growth in enterprise value which preserves and enhances the value of shareholdings over the long term. The strategic enablers to this include: growing profitable revenue, future-proofing our businesses, unlocking value within each business and ensuring we deliver an extraordinary future that stands up alongside our proud 113-year history.

Culture

There are some valuable characteristics that run through all of the Marshall businesses; our instinct to do the right thing, the quality of the work we do, our pride in our achievements and our belief and investment in our people. We know that we gain strength through collaboration, we are bold in our approach to challenges, we make things happen and we do it with passion.

Investment case

1 A family-owned Group, committed to maintaining its values and relationships with all stakeholders

Understanding and being able to solve complex problems is a core competence of the Group embedded throughout our proud history. It drives our reputation and brand and underpins the integrity of our commitment to delivering extraordinary outcomes to stakeholders.

2 Strong track record of delivery

We create long-term value by working to accomplish our strategic priorities, delivering sales growth and profitability, and maintaining a solid balance sheet. Our focus on generating strong cash flows contributes to this. Our management and control systems are designed to ensure a focus on delivery and continuous efficiency improvements.

3 Well positioned businesses in growing markets with high barriers to entry

Marshall has a well-positioned business portfolio based on market defining capabilities and resources. We have unique and scarce engineering expertise and the capability to solve complex problems for our customers. In Marshall Group Properties we own substantial land holdings within the highly sought after area of Cambridge.

4 Focus on quality, taking pride in our values and our work

To succeed in an ever-changing world requires confidence in our people and our future. We are a Company distinguished by collaboration, cooperation and respect, with a global network of trusted contacts and deeply established government and industrial co-operation offerings. Our commitment to our values gives us a solid platform to build on.

5 Committed to creating long-term value

One of Marshall's key strategies has been to transition from a dominant home market and reliance on a few key customers, to more diversified and international operations. Today we not only address our traditional core markets, but are leading from the front on key innovations around efficiency, sustainability and quality. Our land and property assets have long-term development opportunity with the scale of Cambridge East having the potential to generate value over several decades.

Marshall Group

One Company, diverse operations.

The Group has eight distinct businesses, they are aligned to the Group's purpose of building extraordinary futures for our customers, communities, people and planet.

Our business was founded in 1909 and our history is steeped in providing high quality outcomes for our customers. Over the last 113 years we have instilled this ethos across the Group and while our divisions are different, they are unified by our overarching purpose to build extraordinary futures.

Marshall Aerospace

Advanced engineering is at the heart of Marshall Aerospace, delivering maintenance, modifications and repairs to a global customer base. While it is best known for its unrivalled expertise on the C-130, it also offers support and engineering services for other platforms in the air defence sector.

In addition to this core activity, Marshall also operates an Aerostructures business that specialises in the design and manufacture of auxiliary fuel systems and tanks that are used to extend multi-mission maritime aircraft flight range.

Marshall Land Systems

Marshall Land Systems specialises in the design and production of industry-leading operational infrastructure and mission systems, providing critical infrastructure that supports humanitarian, defence and security operations across the globe.

From basic workshops to complex medical equipment, its shelter products are designed and assembled to the highest quality standards that enable them to be deployed in the most hostile of environments.

In addition, Land Systems offers a full in-life managed service provision to ensure customers' equipment is available where and when they need it most.

Marshall Group Properties

Marshall Group Properties manages the Marshall portfolio of buildings and land.

Its two most significant areas of focus are its joint venture partnership with award-winning housebuilder Hill to deliver the new 1,300-home Marleigh development in Cambridge and the promotion of the 900 acres of airport land for the development of Cambridge East.

Marshall Group Properties will work alongside the people of Cambridge to create an extraordinary new place, providing world-class education, employment and housing opportunities.

Marshall Fleet Solutions

Marshall Fleet Solutions is the UK's largest independent commercial vehicle service organisation providing premium sales, service and parts support for the temperature-controlled transport and distribution industry.

The Company has over 200 mobile service engineers, together with a national call centre in operation 24 hours a day, 365 days a year, giving its customers unrivalled national service support.

Marshall Slingsby Advanced Composites

The Advanced Composites business designs, prototypes and manufactures complex structures from advanced composite materials for the defence and aviation markets.

Its ability to test, certify and provide in-service support for its broad range of products deployed across air, sea and land, makes it unique in its sector.

Marshalls Skills Academy

Marshall Skills Academy's core focus is the delivery of its industry-leading aerospace and engineering apprenticeship programmes to help address the global skills gap.

In addition, it provides a wide range of technical, regulatory and health and safety training that is bespoke to the civil and military aviation markets.

Marshall Futureworx

Futureworx is the venture-building arm of Marshall focused on creating technology and enterprise solutions for emerging global trends.

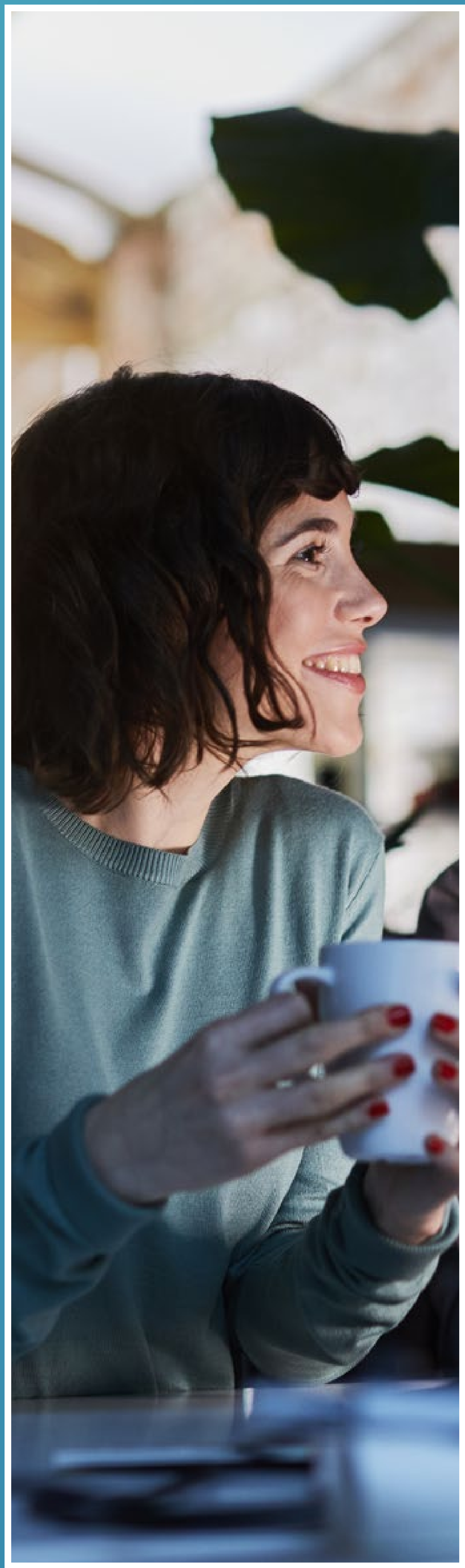
Leveraging the knowledge, experience and reputation of the Marshall Group to develop new partnerships and enter new markets with products or services that answer emerging practical problems and generate long-term income streams for the future.

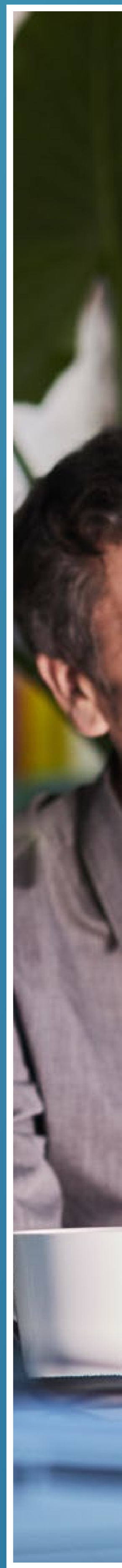
Marshall Motor Holdings

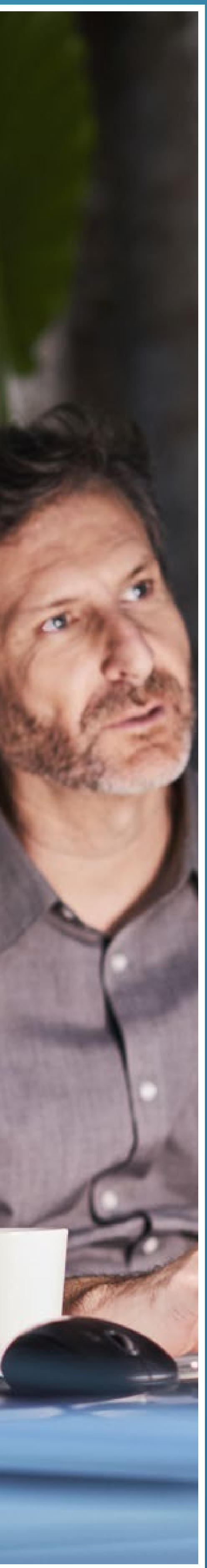
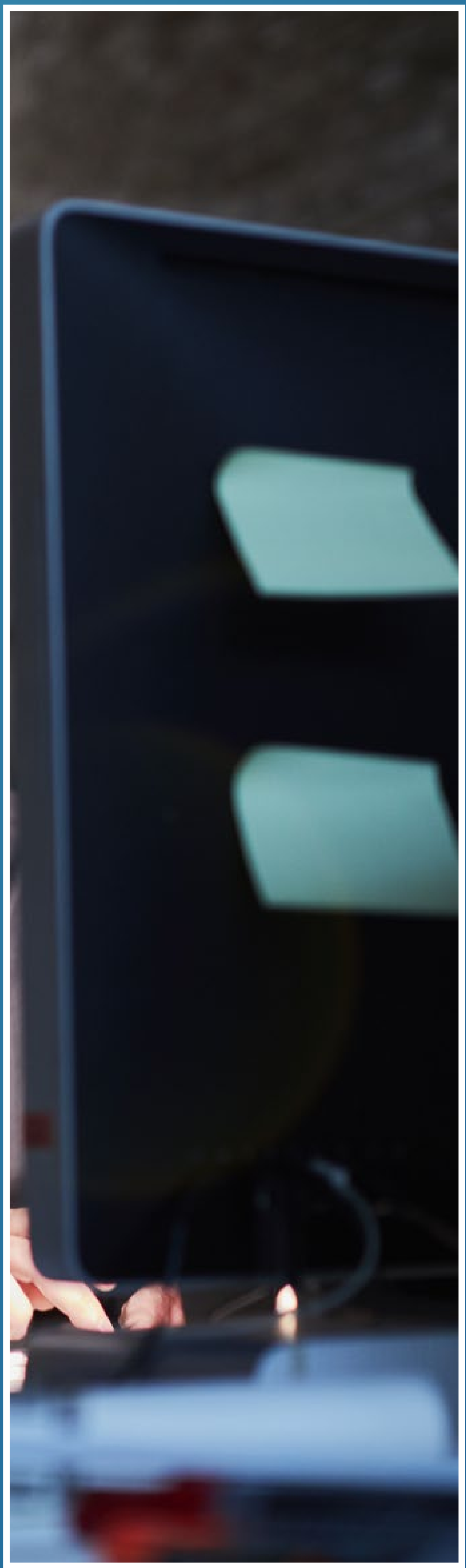
Marshall Motor Holdings plc ('MMH') is the seventh largest motor dealer group in the UK. It operates 160 franchise dealerships representing 26 different brand partners in 37 different counties across England and Wales.

At the period end, MMH was an independent public company, with its own board and has published its own report. On 29 November 2021, Marshall of Cambridge announced its intention to sell its 64% controlling interest in MMH to Constellation Automotive Group. This transaction completed after the period end, on 11 May 2022.

Strategic report





Chair's introduction

"We are continuing to make good progress in line with our strategy in each of our businesses, with a high level of quality engagements with our key customers and partners."

Jonathan Flint CBE
Chair

This is my first Report and Accounts after taking over as Chair on 30 June 2022. I would like to take this opportunity to thank my predecessor Alex Dorrian for his leadership of the business and the Board over the last six years.

During that time, the Company has been transformed, with many significant decisions taken. These include the sale of Marshall Motor Holdings plc ('MMH') and the development of updated protocols covering engagement of the Board and our shareholders following the passing of Sir Michael Marshall.

As you will know from the Operating Review published in June ahead of our Shareholder Day, we had to adjust our year end for the Group to reflect a change made by MMH ahead of the sale of that business. This report, therefore, covers the period 1 January 2021 to 31 March 2022. We will be reverting to our traditional period end date of 31 December this year, so the next Report will cover the period 1 April 2022 to 31 December 2022.

Marshall is a unique and special business, built through decades of hard work which has put this Company in a strong position from which we can grow, both in scale and substance. We have many extraordinary opportunities on which we are well placed to capitalise in the years to come.

The prospect of relocating our well-established and highly respected Aerospace and Land Systems businesses to new, purpose-built facilities and the redevelopment of our current airport site as a new city-centre district of Cambridge are exciting on their own. Added to that, we have the changing dynamics relating to defence and security across the world and the ongoing sustained high levels of growth in Cambridge, coupled with a remarkable team of highly motivated and talented people who are dedicated to Marshall.

Very few businesses can claim to have a fraction of these opportunities going for them and that is why the Board and I are excited about the future. As you will see in more detail later in Kathy Jenkins' CEO report, we are continuing to make good progress in line with our strategy in each of the businesses, with a high level of quality engagement with our key customers and partners.

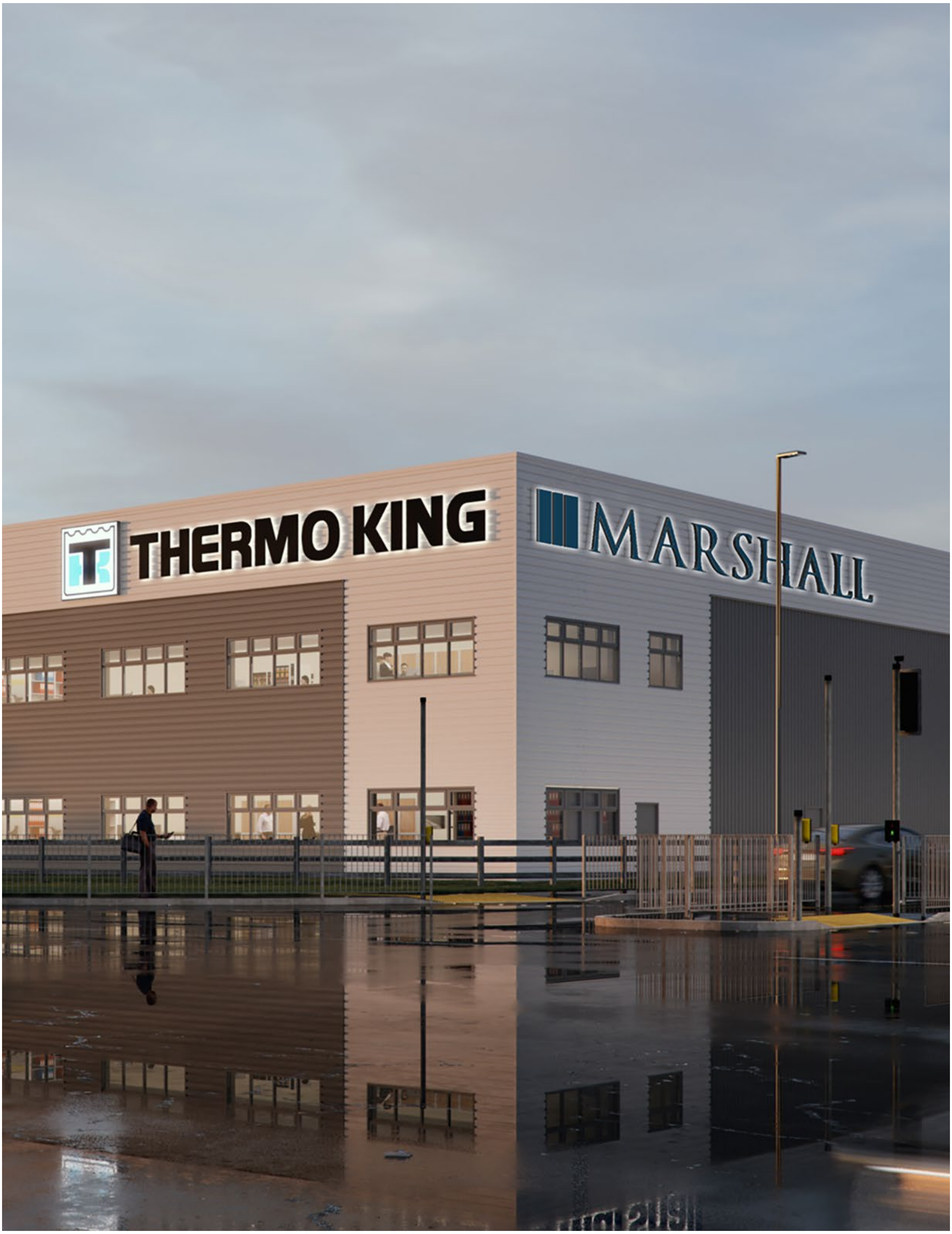
As a consequence of the sale of MMH, I am delighted to confirm that the Board recommended the payment of a further special dividend of 76p per Ordinary and NVPO share, which was paid on 7 October 2022.

Since the Shareholder Day in June, we have been pleased to welcome Roger Hardy to the Board as a Non-Executive Director with particular relevant experience in the aerospace and defence sectors. Roger's experience will be invaluable as we look to relocate and grow our businesses in the UK and overseas. I look forward to introducing him to you at the AGM on 13 December. The Board is also proactively working with shareholder representatives on the appointment of an additional Non-Executive Director to ensure that the size and composition of the Board is appropriate for a private, family-owned business operating in its various market sectors.

The last couple of years have been challenging for everyone but I would particularly like to thank my Board colleagues and the Executive team led by Kathy for all they have done and continue to do to drive the Company forward. I am also grateful to our teams across the business who continue to work tirelessly to deliver for our customers, and to our shareholders for your ongoing support and commitment to this extraordinary Company.

Jonathan Flint CBE
Chair

25 November 2022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MARSHALL

Business model

Marshall constantly develops, adapts and improves our offerings to meet changing customer needs and market conditions.

Key resources | **Key activities**

Portfolio:
We focus our portfolio of companies and products on areas where we have strong competitive advantages and identified growth opportunities while ensuring that we satisfy our customers' demands.

Reach:
From our founding to today, we have maintained a very distinct position as a mid-tier, private UK company, and this forces us to think innovatively and use resources effectively. This way of thinking has driven our market appeal and excellent reputation globally into many different markets.

People:
We want to be an employer of choice in the global market. Our people are the foundation of our offering and our growth and this is reflected in our culture.

Expertise:
Marshall colleagues work every day to deliver on our customer promise. With our history of rising to challenges that others walk away from, we have the foundation of excellence to maintain our advantage.

Shared purpose:
We have a shared commitment to building extraordinary futures, and society at large expects Marshall to be run responsibly. This includes responsibility for our people, our customers and partners, our local communities and our shareholders.

Relationships:
Marshall exists today because of the long-standing relationships we have built. The strength of these relationships is central to our qualification to participate.

Investment in R&D:
We have invested in both centralised and de-centralised R&D capability that develop and complement Marshall's portfolio through new technologies, and future-proof our businesses, expanding outside our core capabilities.

Key activities

Marshall is proud to be a UK company that is committed to maintaining its values and its relationships with stakeholders, serving the global market of governments, corporations and communities.

Enterprise

We have focused the portfolio through independent business units: Aerospace, Advanced Composites, Land Systems, Fleet Management and the Skills Academy, utilising the Marshall Group Centre to standardise and harmonise operations in order to drive cost efficiencies through functional synergies.

Property

Our commitment is sustained in our stated strategic intent to maximise value from the property assets held by Marshall and crystallise shareholder value.

Innovation

Futureworx creates innovative solutions for relevant and timely global and societal problems, with the aim of building new businesses to return value to Marshall.

Underpinning our business model:

Integrity | High quality | High standard

Value generation

Products and services delivered by the Group

Purpose-led

Independent

We are committed to those things that have made Marshall special: our independence, our instinct to "do the right thing", our willingness to solve customers' problems, our place at the heart of our local communities and, of course, our people.

People:
The goal is that Marshall will be the natural choice for existing and future talent. We recognise that our people are our foundation and that through working with us we want them to realise an extraordinary future.

Customers:
We maintain our competitive edge by listening to and working with customers to create value for them. Close cooperation with customers and meeting rigorous customer requirements contribute to our market advantages.

Shareholders:
We aim to generate consistent returns for our shareholders and uphold the Marshall name as a responsible and contributing member of society.

Communities:
We remain committed to supporting those communities within which we operate, including enabling growth, ensuring a sustainable future, providing skills development and employment opportunities.

Suppliers:
Our longstanding relationship with suppliers enables cost competitiveness, innovation, adaptation and greater efficiency.

Partners:
Positive and proactive collaboration and integration with partners significantly increases our opportunities to win in the marketplace, access finance, and contribute meaningfully to our stakeholders.

Strategy

The strategy for the Group concentrates on generating value through a focused portfolio and efficiencies at every level. We achieve this through our people and our commitment to delivering extraordinary outcomes. At the heart of our long-term strategy sits our 2021 Shareholder Value Proposition ('SVP'). This outlines the clear principles of return, measuring the return on capital employed ('ROCE') and requiring delivery against this in order to justify ongoing support and investment. We will start using these metrics for future periods and expect to report on these

An extraordinary future

Acceptable returns (SVP)

1

Growing revenue and profitability

Our Marshall portfolio is based on market-leading capabilities and a unique market positioning. We are focused on improving existing products and services and developing new ones in order to maintain a well-positioned core portfolio. This allows us to capture strategically important business, leverage core expertise into growth markets and differentiate through utilisation of our unique market position and core competencies to ensure sustainable growth.

2

Future-proofing our businesses

In an increasingly complex market and environment where change is accelerating, our commitment to building values-led, high performing, sustainable businesses remains steadfast. Going forward, improving operating efficiency and productivity is critical. To be more competitive, we will continuously develop, manage and realise the most effective ways of working (including the well-paced use of novel technologies and methodologies).

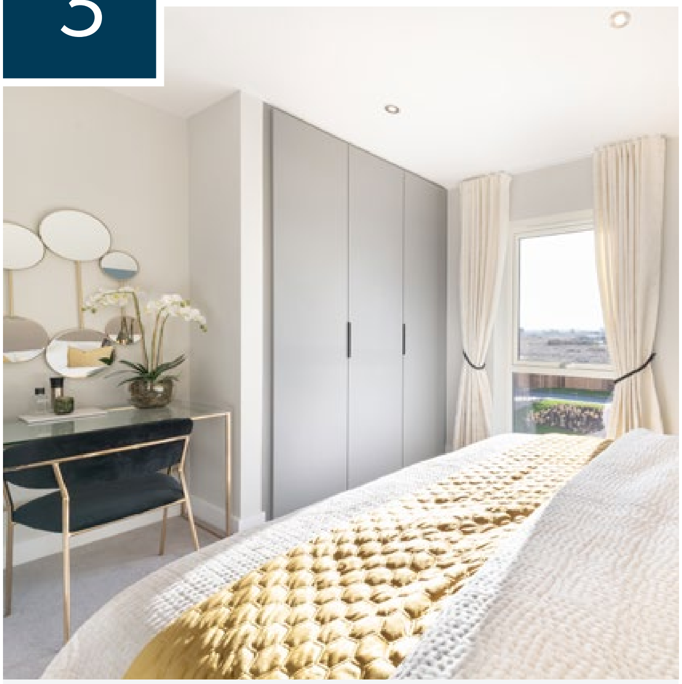
Enablers

- Process: Operating efficiency (fix, focus, grow), expansion (R&D, new markets)
- People: Talent management, retention
- Systems: IFS roll-out, digitalisation
- Sustainability

subsequently.

The SVP can be summarised into four key strategic principles through which we create long-term value, delivering pipeline growth and profitability, and maintaining a solid balance sheet. These form the four pillars of our strategy:

3



Unlocking business value

The breadth in capability of our Group is commonly cited by our customers as a core competency. However, to maintain our position as a key player in the markets we serve, we remain committed to targeted investment in order to enable our capability advantages in highly competitive markets. It is through innovation and investment that we can further modernise our offer, strengthen our capabilities and serve clients in new and better ways.

4

Delivering a prestigious legacy

We recognise the proud history and unique model of Marshall Group, and our role as a central player in the markets within which we operate. We have a key role to play in advancing the sustainable global economy of tomorrow and active management of Marshall's portfolio is key to delivering and sustaining this extraordinary legacy.

Key performance indicators

Financial KPIs[1]

Revenue – (£m)

£4,176m

Why is this important?
Revenue and sales drive the business. Our investment in improving existing products and services, and in developing new ones, should enhance revenue over time.

15-month to 31 March 2022 performance
Significant revenue growth driven by MMH, the strong market conditions within the motor sector, and the acquisition of Motorline.

Profit before tax – (£m)

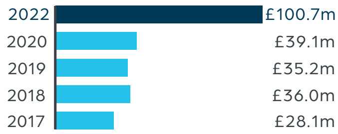
£91.9m

Why is this important?
Overall profitability measures the overall return made by the business after all revenue and costs are taken into account. It measures the ultimate financial performance of the business, albeit it includes items that may be one-off or exceptional in nature.

15-month to 31 March 2022 performance
Strong profit growth driven by MMH, the strong market conditions within the motor sector, and the acquisition of Motorline.

Underlying profit before tax – (£m)

£100.7m



Why is this important?
By removing exceptional items, this KPI seeks to show the true, underlying performance of the business. It helps us more accurately assess how the day to day business is performing and its measurement over time provides a consistent view undistorted by items that are unusual or one-off. See note 3.

15-month to 31 March 2022 performance
Increase in underlying profit in line with profit before tax. Current year exceptional items include increased property disposal profit, a contract loss provision and ERP impairment.

Net (debt)/cash – (£m)

£(21.5m)

Why is this important?
Access to appropriate levels of cash and liquidity is vital for any business. Not only does it ensure day to day operations can function smoothly, but it allows strategic multi-year investments to be enacted. Access to cash allows us to move quickly and take advantage of opportunities as they arise. See note 11.

15-month to 31 March 2022 performance
Reduction in cash due to the cash cost of the Motorline acquisition and investment in infrastructure.

Operating cash flow – (£m)

£76.3m

Why is this important?
Operating cash flow measures the amount of cash generated by the Group's normal business operations. It provides funds that may be used to invest in the future growth of the business, service its financial obligations or pay a dividend to shareholders.

15-month to 31 March 2022 performance
Steady operating cash flow.

Return on capital employed (ROCE) – (%)

28.8%

Why is this important?
The ratio of the Group's profit before tax and the average capital employed is a measure of the Group's efficiency in generating a return from the assets it has.

15-month to 31 March 2022 performance
Substantial increase in ROCE driven by increased returns.

[1] Following the announcement in November 2021 of the proposed sale of our shareholding in Marshall Motor Holdings ('MMH'), the Group's reporting date has been changed to the 31 March. This will revert to the 31 December for subsequent periods. Figures for 2022 are for a 15-month accounting period, comparatives are for 12 months.

Operational review

"Beyond the macro-economic factors, the period was pivotal for Marshall in many ways."

Kathy Jenkins
Chief Executive Officer

There is no doubt that 2021 and indeed the first quarter of 2022 was another challenging period for industry generally.

It goes without saying that recovering from a global shutdown was never going to be straightforward and this has proven to be the case. No business is immune to the ongoing impacts of the pandemic, raw materials shortages or inflationary pressures. What will differentiate us is the way we respond and adjust to this context. Also, crucially, we should not let this distract us from the things that are within our control and the progress that we are already making to address performance across every single area of our business.

Beyond the macroeconomic factors, 2021 was pivotal for Marshall in other ways. First, the UK government decided to retire their C-130 fleet early, a fleet we have maintained for 56 years. Second, we made the decision to sell our 64% shareholding in Marshall Motor Holdings plc ('MMH').

The Board of Marshall of Cambridge (Holdings) Limited ('MCH') had, for some time, been considering the most appropriate course of action in respect of its investment in MMH and had been exploring various options. The decision to float MMH in 2015 was made primarily to give them access to sufficient capital to fulfil their strategic growth plans in a rapidly consolidating market. In the subsequent six years MMH continued to pursue an ambitious strategy of growth by acquisition and did so very successfully. However, we were not in a position to continue to support MMH's significant capital requirements. In addition, the Board was mindful of the considerable uncertainty and challenges faced by the automotive retail industry.

We then received an unsolicited proposal from Constellation last November to acquire MMH at a price of £4 per share. The proposal needed agreement of the Trustees as majority shareholder and approval by the Financial Conduct Authority but was subject to very strict confidentiality.

The Board and the Trustees agreed with shareholder representatives that the offer of more than two and a half times the flotation price and more than twice the trading price at the time, crystalised high value and was in the best interests of all shareholders.

Following the development of the Shareholder Value Proposition, the Board concluded that Aeropeople and Martlet were no longer a core part of the Group and took the decision to dispose of these businesses. Martlet Capital and its portfolio of early stage technology companies were transferred to a new independent organisation led by Robert Marshall.

The decision by the UK MoD to retire their C-130 fleet early, in March 2023, has been well publicised. This had the immediate impact of reducing our revenues significantly, as the work on the 14-strong fleet was restricted to basic maintenance and critical repairs. However, it was a day we had planned for. As such, we had been working on a number of activities to mitigate the loss and capitalise upon opportunities.

The first was our strategy in the last few years to reduce the reliance on the UK RAF fleet. This has been successful with 18 nations now as customers, most recently the Indian Air Force. In addition, the team has negotiated a contract with the UK MoD to upgrade eight aircraft to the latest Centre Wing standard, protecting Marshall capability and share in the onwards sale proceeds of the aircraft. Finally, the early retirement of the C-130 fleet resulted in a contract price adjustment after the period end to compensate Marshall for the loss of work and recovery of committed overhead costs over the next years.

In summary, if we were to turn the clock back to the government's announcement last March about the early withdrawal of the RAF's C-130 fleet, anyone outside of our business could have been forgiven for thinking it had the potential to be a fatal blow for Marshall Aerospace – but nothing could be further from the truth. Our focus on

Operational review continued

developing our international C-130 business continues to be a winning strategy.

As we predicted, our enablement contract with US Marine Corps is living up to its potential and we have recently been talking to the US Air Force about support for its C-130 fleets based in Europe.

In addition, Lockheed Martin has a full C-130 order book for brand new aircraft out to the end of the decade and beyond. It is clear there is still plenty more work for us to pursue, particularly in North America and the Middle East – markets we have come to know and understand well over recent years.

2021 and the first three months of 2022 were particularly challenging for Land Systems with an underlying loss. While some of this is a consequence of the external factors, it also reflects a business that was not prepared for the speed of change that was needed to deliver newer high-volume programmes. As you would expect, we have forensically analysed why, built a plan to address this and brought in the capability to do so with a new leadership team. This is already yielding results in an opportunity rich environment. We are engaging very positively with existing and potential new customers for Land around the world and have the strongest new business pipeline that we have ever had.

As the new team continues to deliver greater operational stability and more standardisation of both products and processes, I am confident we will convert opportunities into profitable business lines for the future. This work will stand us in good stead for when Land moves to its new home in and around Cambridge between now and 2025, making way for the further development of Marleigh.

Fleet Solutions continued to build on the progress made during 2020 despite the huge problems created by global shortages. For the first time in decades, we took a position as a top 10 dealer globally for Thermo King and have used this as an opportunity to re-cast this relationship. The work around Renewables really is at the cutting edge of the industry and I am proud to be able to say that we are, quite literally, leading the road to net zero in the world of temperature-controlled distribution.

It's an equally encouraging picture at Advanced Composites where a step change in operational performance, coupled with a very strong order book, has enabled the business to begin to demonstrate its true potential. It is this team that secured our place on Team Tempest. And the increased use of UAV aircraft in modern warfare in particular, is providing an unprecedented number of interesting opportunities for the future.

As the global aerospace and defence sectors navigate a well-documented skills shortage, Marshall Skills Academy is becoming an increasingly important part of our conversations with governments, both here and in Canada. Our Skills Academy is a true differentiator for our business and is an area where I see increasing opportunity. The Marshall Skills Academy has the potential to be one of the real jewels in our crown.

Although our Global 6000 programme sustained further loss as it re-baselined to a 2022 completion, we are now, at last, able talk more positively about the programme. We are now very close to closing out the final elements of the initial project and, more importantly, have secured a strategically important long-term contract to deliver in-country support for both aircraft.

Of course, we learnt some hard lessons on this programme but that does not take away from the fact we delivered something truly extraordinary. Both aircraft are fully operational and highly regarded by our customer, and there is now no doubt we created a leading-edge airborne surveillance solution. The creation of this capability was and can be a differentiator for us and we will do more to realise the potential of the aerospace engineering capability that we built through the programme.

As we re-present our capability in emerging technologies, we mobilised our team in Futureworx to respond to demand. Our vision for Futureworx as a generator of new, long-term revenue streams for Marshall has already gained significant traction and has continued to grow through 2022.

From a property perspective, we are continuing to engage at a local and national level with key stakeholders about our plans for Cambridge East. As you would expect for a project of its size and significance, the development is attracting a great deal of positive interest and excitement both here in the UK and overseas.

While the publication of the Greater Cambridge Local Plan appears to have slipped further to the right, the council has very recently published initial feedback from the consultation it carried out last year.

The great news is that our ambition for Cambridge East appears to have the initial support of the local community, and importantly, the council also seems very comfortable that we are genuine in our intent to find a new home for our Aerospace business with Cranfield being our preferred option to unlock the airport site. We need to continue to demonstrate that intent over the months ahead to give the local authorities the confidence they need to include the airport land in the Local Plan.

As I conclude, I must mention our customers who have continued to support us as we have undergone significant change. There is no doubt we are held in high regard and respected as an independent UK mid-tier business with unrivalled capabilities. I know from my conversations with customers that this is something they place significant value upon, now more than ever given global events.

We need to respond to this and create capacity and capability in the locations that will help us win and retain business. In the first instance, we will respond to existing customer requirements to be delivered in the UK. We are also planning to accelerate our expansion into the US and Canada to respond to increasing demand in these markets.

We will do this in parallel with progressing our move away from the Cambridge Airport site. I am increasingly excited about the opportunity to develop Cranfield into something that goes way beyond our current operation. I am having some formative discussions with my counterparts in other aerospace and defence businesses about a potential eastern England cluster with skills right at its heart.

So, in summary, Marshall is subject to all of the macroeconomic challenges that are facing businesses worldwide. Mitigating these takes significant effort and this will continue throughout next year. This coincides with major changes for our group as a long held contract concludes, and as we identify and address performance inadequacies. We are doing this with a team that has been reinforced to surface shortfalls in 2022 and thereafter deliver the plan to address these. At the same time, we must remain laser focused on delivering our strategy at a group and business unit level and, as long as we are able to execute with confidence, belief and at pace we can all look forward to building an extraordinary future for this very special business.

Kathy Jenkins
Chief Executive Officer

"As long as we are able to execute with confidence, belief and at pace we can all look forward to building an extraordinary future for this very special business."

Kathy Jenkins
Chief Executive Officer

Operational review continued

Marshall Aerospace

Advanced engineering is at the heart of Marshall Aerospace (MA), delivering maintenance, modifications and repairs to a global customer base. While it is best known for its unrivalled expertise on the C-130 it also offers support and engineering services for other platforms in the air defence sector.

In addition to this core activity, Marshall also operates an Aerostructures business which specialises in the design and manufacture of auxiliary fuel systems and tanks that are used to extend multi-mission maritime aircraft flight range.

Operational performance

- Loss before tax £2.7m (15-month period); 2020: £12.3m profit (12-month period).
- Underlying profit before tax £10.3m (15-month period); 2020: £15.5m profit (12-month period).

Despite falling short of profit expectations, MA delivered a good performance in the context of a second year of Covid-19 disruption.

In addition to the ongoing Covid situation, the result was driven in the main by the adverse impact of the implementation of the new enterprise resource planning system ('ERP') and an increase in the loss provision needed on our Global 6000 programme. These items are set out note 3, separately disclosed exceptional items, to give an underlying profit before tax of £10.3m (2020: £15.5m).

Underlying performance was impacted by the reduction in higher-margin engineering upgrade work resulting from the decision by the UK MoD to withdraw its C-130 fleet from service in March 2023.

MA has now concluded a contract price adjustment to compensate for the loss of work on the fleet along with the recovery of committed overhead costs over the next years. Significantly, the team has also negotiated a 'Gain Share' contract to upgrade eight aircraft to the latest Centre Wing standard, protect critical capability, and share in the onwards sale proceeds of the aircraft.

Despite what was a challenging period, the business unit remains on a positive trajectory and, with the appointment of new Managing Director Neil McManus, has already begun to drive significant operational improvements.

It also continues to benefit from the enablement contract won with the US Marine Corps in 2020, having consistently outperformed its competitors in both speed and quality of input enabling it to secure a number of additional aircraft inputs.

The team was also successful in winning new business during 2021, most recently with the Indian Air Force. It also secured contract extensions and renewals with existing customers including France and Denmark. The Canadian Aerospace business also performed strongly, agreeing an extension to its support contract with the Canadian Air Force.

Away from the C-130 platform, MA has secured a valuable three-year contract to provide support to Global 6000 Special Missions aircraft and is standing up a new team in the United Arab Emirates to deliver this work in-country.

Aerostructures delivered another strong performance on the P8 tank programme during 2021 and celebrated a key milestone early in 2022 when it delivered the 1,000th auxiliary fuel tank for customer Boeing.

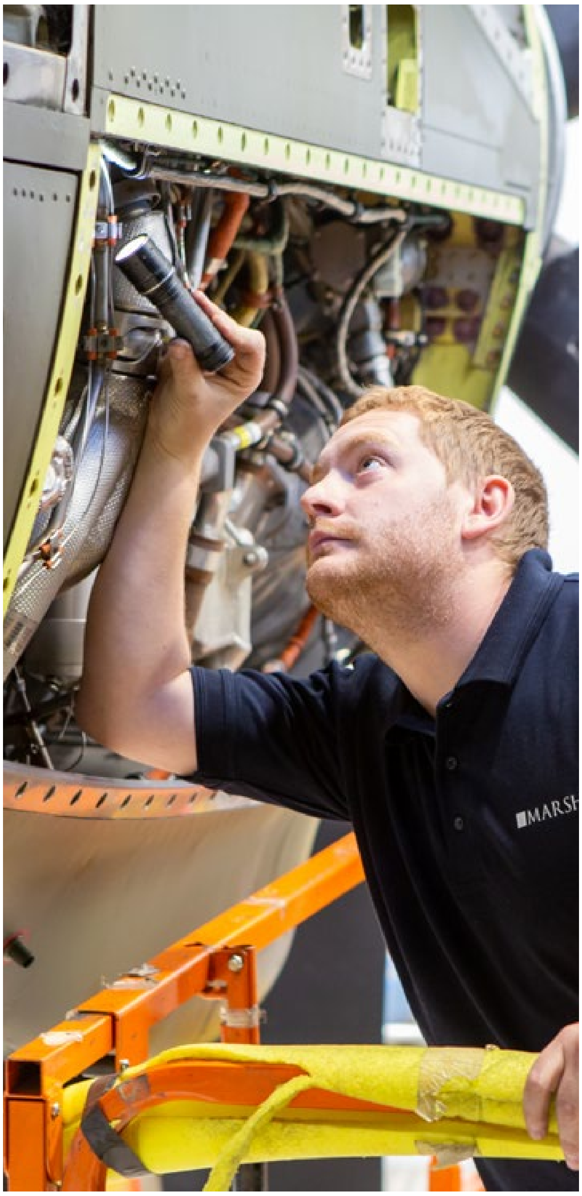
As work continues to prepare for the relocation of the Cambridge site later this decade, the business is also working to identify viable opportunities to develop its footprint in North America to ensure it is best placed to capitalise on the success it is already enjoying in this market.

Marketplace

The global aerospace and defence market is expected to expand at 14.0% to 2028, driven by economic growth, the prevalence of ageing commercial and military aircraft fleet, and increased military spending.

Customers are driving innovation themes that deliver better value for money, greater supply chain efficiency, and underpin their sustainability goals.

Marshall is responding to this through advanced engineering techniques and use of technology such as real-time health monitoring, digital twins, predictive maintenance, artificial intelligence, internet of things to help reduce cost and enhance the end-use experience.



Marshall Land Systems

Marshall Land Systems ('MLS') specialises in the design and production of industry-leading operational infrastructure and mission systems, providing critical infrastructure that supports humanitarian, defence and security operations across the globe.

From basic workshops to complex medical equipment, its shelter products are designed and assembled to the highest quality standards which enable them to be deployed in the most hostile of environments.

In addition, MLS offers a full in-life managed service provision to ensure customers' equipment is available where and when they need it most.

Operational performance

- Loss before tax £8.3m (15-month period); 2020: £2.2m profit (12-month period).
- Underlying loss before tax £8.3m (15-month period); 2020: £2.4m profit (12-month period).

2021 and the first three months of 2022 was a particularly challenging period for MLS as the business struggled with the speed and level of change required to meet the production demands of high-volume programmes such as the Dutch Defensiebrede Vervanging Operationele Wielvoertuigen ('DVOW') programme.

Scaling production exposed a range of operational issues which, supplemented by Covid-19 and the implementation of a new ERP system, drove cost and inefficiency into the business.

In recognition of the level of transformation required, Gary Moynehan was appointed as Managing Director during Q3 and has subsequently appointed a new Senior Leadership who bring a broader range of capability and experience to the business.

The new team has already established a regular drumbeat of data reporting that is enabling them to tackle core issues and drive improvements in operational performance and this, coupled with its strategic move towards product modularisation, will drive greater efficiency across all aspects of the manufacturing process.

Despite the operational challenges, MLS continues to enjoy success in winning new contracts, securing orders for its deployable CT Scanners from the Australian and Canadian governments as well as additional shelters with customers Kongsberg, the Dutch MoD and BAE systems during 2021. Its new business pipeline is similarly strong with a large percentage of its order intake for this year already secured.

MLS also made significant progress in Canada during 2021 where, having secured backing from a number of Canadian agencies, it signed a 10-year lease on a new 82,000 square feet production facility in the province New Brunswick in December.

This new site, which will be operational early next year, will increase operational capacity for existing European markets, while at the same time opening up new opportunities in Canada and other international markets.

Most notable of these is the Canadian government's LVM programme to replace its army's fleet of light and heavy vehicles logistic vehicles, trailers and containers. MLS is co-priming on this programme with General Dynamics Land Systems and Mercedes Benz, and recently submitted a bid that offers the customer a very compelling and cost competitive solution.

Marketplace

As border protection becomes a greater concern for Western governments the requirement for deployable infrastructure is becoming more acute.

This infrastructure increasingly uses modularisation with bespoke capability inserted, allowing infrastructure integration and interoperability, driving consolidation of procurement strategies, and shifting the market towards large volume orders at reduced prices.

Marshall is positioning through product, partnership, and operational structure to take advantage of these new market dynamics.

"I am delighted that colleagues across the Land business have embraced our change of strategic direction, and are actively engaged in helping drive the improvements necessary to help transform our performance."

Gary Moynehan
Managing Director
Marshall Land Systems

Operational review continued

Marshall Fleet Solutions

Marshall Fleet Solutions ('MFS') is the UK's largest independent commercial vehicle service organisation providing premium sales, service, and parts support for the temperature-controlled transport and distribution industry.

The Company has over 200 mobile service engineers, together with a national call centre in operation 24 hours a day, 365 days a year, giving its customers unrivalled national service support.

Operational performance

- Statutory and underlying loss before tax £0.1m (15-month period); 2020: £0.1m profit (12-month period).

Covid-19 was a key factor for MFS during 2021, bringing both positive and negative impact on financial performance. The business, however, was able to deliver a second consecutive year of seasonally adjusted profitability while continuing to build on its much-improved customer service levels.

The global shortage in semi-conductors had a detrimental effect on its Thermo King sales and installation business with manufacturers' inability to produce new vehicles leading to a 35% annualised shortfall in unit sales volume compared to a non-Covid year.

MFS did, however, enjoy upside on the service side of the business as customers were forced to keep older, less reliable trucks on the road and it was a similar picture within the Tesco fleet management business where consumer demand for home deliveries remained strong.

In a further strengthening of the relationship with Tesco, MFS secured a further three-year Fleet Management contract winning share from a key competitor, to achieve increased nationwide coverage.

The most significant announcement of the period, however, was the launch of MFS' Renewables division, focused on delivering innovative new products that will help drive down carbon emissions in the transport industry.

Its new Titan product, a hybrid solar energy system that can be retrofitted to vehicles to provide ultimately 100% free power for on-board refrigeration units, is being trialled to very positive feedback by a number of key customers, including Tesco.

The new MFS supersite, conveniently situated just minutes from the main M42/A5 motorway junction in Tamworth, is now fully operational, providing the business with a state-of-the-art facility to accommodate the growth of its Thermo King Transport Refrigeration, Tail Lift, and National Part and Accessories business.

The new site will also be home to a unique Centre of Excellence providing dedicated training facilities as Marshall continues to work to introduce the UK's first transport refrigeration apprenticeship programme.

Marketplace

The Covid-19 pandemic has accelerated change in fleet management, underpinning the criticality of the role the industry plays in keeping supermarkets stocked, medications delivered and supply chains fulfilled even in a time of unprecedented demand.

Fleet managers have had to make significant changes to deliver cost reductions and greater efficiency of their fleets. In many cases, this has driven a shift in approach that has seen a greater demand for outsourced fleet support, enabling fleet operators to focus on core business. This shift has been further enabled by increased technological capability in data management.

In addition, given that transport refrigeration systems are a major polluter, the race is on to provide zero CO_2 refrigeration solutions. Marshall has taken a leadership position in the UK market through its Titan VP application and continues to embrace advances in technology to lead the market in customer value and efficiency.

Marshall Slingsby Advanced Composites

The Marshall Slingsby Advanced Composites ('MSAC') business designs, prototypes, and manufactures complex structures from advanced composite materials for the defence and aviation market.

Its ability to test, certify, and provide in-service support for its broad range of products deployed across air, sea and land makes it unique in its sector.

Operational performance

- Profit before tax £0.2m (15-month period); 2020: £0.5m profit (12-month period).
- Underlying profit before tax £0.2m (15-month period); 2020: £0.6m profit (12-month period).

The period saw MSAC continue to build on its turnaround, enabling it to finish the period well ahead of budget.

The business was not immune to the impact of supply chain challenges and Covid-19 related absences. However, the workforce restructuring concluded at the end of 2020 and the implementation of new lean and continuous improvement manufacturing methods delivered significant operational efficiencies which improved product margins to underpin performance.

Order intake was lower than in the previous period as a result of the delay in two major projects which are now expected to be realised during 2022/3. However, two new significant customer contracts were successfully won during 2021, helping reduce dependency with the traditional MSAC customer base, providing positive long-term revenue opportunities and enhanced the pipeline for 2022.

One of the key highlights of the period was the signing of the partnering agreement with BAE Systems that saw Marshall become the first partner to be awarded delegated design authority on the Tempest future combat air system programme ('FCAS').

2021 also saw the business awarded with Gold supplier status from BAE and it being recognised as the best North of England Aerospace business. MSAC has also been able to secure the prestigious National Aerospace and Defence Contractors Accreditation Program ('NADCAP') status, making it just one of 10 composites companies with this accreditation in the UK. This will help to differentiate MSAC from its competitors when competing for larger production contract opportunities.

The team continues to develop other specialist activities through Research and Development aimed particularly at co-developing advanced materials with selected specialist partners and new manufacturing techniques that have the potential to deliver significant production volumes over the years ahead.

Marketplace

There are two key trends that position MSAC as an attractive industry globally: the increase of in-country advanced materials applications, and the focus on sustainability driving demand for energy-efficient materials.

Advanced composites within the global defence market is expected to grow through at 4.1% per annum between now and 2035, with military aircraft expected to remain the most significant segment.

North America remains the largest market due to scale and access to raw material suppliers; however, the UK market remains strong.

With the UK developing its strategic defence capabilities and reducing dependency on NATO partners, there is a greater drive to develop new stealth technologies which will support the production of new UAVs, SSNR nuclear submarines, and sixth generation combat aircraft all of which demand the use of highly complex advanced composite materials and structures.

Marshall is involved in a number of these key UK initiatives and is well positioned for these market dynamics.

"We are enjoying renewed customer confidence that is providing us with some fantastic opportunities to leverage our step change in operational performance."

Carl Morse
Managing Director
Slingsby Advanced Composites

Operational review continued

Marshall Skills Academy

The core focus of Marshall Skills Academy ('MSA') is the delivery of its industry-leading aerospace and engineering apprenticeship programmes to help address the global skills gap.

In addition, it provides a wide range of technical, regulatory, and health and safety training that is bespoke to the civil and military aviation market.

Operational performance

- Statutory and underlying loss before tax £0.3m (15-month period); 2020: £0.3m loss (12-month period).

The global pandemic had a particularly significant impact across all aspects of the MSA business as a number of contracts were delayed, and more generally organisations de-prioritised Learning and Development activities.

The team was able to enjoy some success in securing general Learning and Development business within the SME network. However, reduced spend and the requirement for remote learning hampered expected progress in this area.

As a result, a full strategic review and restructuring of the business was conducted during Q3 to right-size the cost base and deliver a core focus on activity within those specialisms where Marshall is clearly differentiated from its competitors.

The new strategy, focused on delivering aviation engineering apprenticeships along with technical, regulatory, and health and safety training bespoke to the aerospace market, has already begun to pay dividends with the signing of a contract with business jet aviation specialist Bombardier to deliver its Level 3, Aircraft Maintenance Engineering Apprenticeship from September 2022.

The business has also made significant progress in the Canadian market where it has reached an agreement to develop a range of "earn as you learn" engineering and manufacturing training courses in partnership with the University of New Brunswick and New Brunswick Community College, which are expected to pilot in the first half of 2023.

Marketplace

Despite Brexit and economic uncertainty, engineering and manufacturing remains a cornerstone to the UK economy generating over 20% of the UK's GDP, supported by a network of suppliers and advanced technology clusters, all of which rely on a skilled workforce.

The Covid-19 pandemic created challenges and caused disruption across the education and training sector driven by furlough, staff availability, and remote working. With a relatively low number of young people qualifying and entering the industry, there is a growing global skills gap across technical and professional disciplines.

Although traditionally focused on building our internal capability, Marshall is adapting rapidly to this market opportunity, leveraging our exceptional reputation in quality training and apprenticeships and building our external customer proposition.

Marshall Futureworx

Futureworx is the new venture-building arm of Marshall and is focused on creating technology and enterprise solutions for emerging global trends.

Leveraging the knowledge, experience, and reputation of the Marshall Group, Futureworx aims to develop new partnerships and enter new markets with products or services that answer emerging practical problems and generate long-term income streams for the future.

Operational performance

- Underlying cost before tax £1.4m (15-month period); 2020: £nil (12-month period).

Futureworx made significant progress during 2021 establishing its team of highly capable and creative engineering and enterprise talent, developing key strategic partnerships, and cementing its place at the heart of the Cambridge start-up ecosystem.

The breadth of experience, expertise and creativity within Futureworx, coupled with the power of the Marshall brand, makes it uniquely placed to develop new technologies and services which answer emerging practical problems.

Its first development area focuses on the offshore renewable energy sector, helping to meet the challenge of maintaining the growing number of offshore wind turbine assets. The team has developed a concept to permanently deploy flying inspection drones in the offshore fields and expects to start flight trials in Q1 next year. This project has created a great deal of interest and Futureworx is currently in discussions with a wide range of potential launch partners.

The second major development area is the deployment of hydrogen in aircraft and vehicles. Initial work with a Cambridge University spin-out company to create the regulatory framework for using liquid hydrogen in aircraft has been completed and this, combined with over 30 years' experience in the Marshall aerospace business of producing fuel systems, positions Futureworx to take a leading role in this sector.

Futureworx has also signed an MoU with Cranfield Aerospace Solutions Ltd that will see it collaborate on the conversion of aircraft to run on liquid hydrogen and the supply of ground-support equipment for that activity.

Throughout all of its activities, Futureworx will continue to take full advantage of being part of the Cambridge ecosystem as well as looking to build on Marshall's unique position in the defence sector in order to create new, profitable long-term revenue streams for the future.

Marketplace

The UK Government increasingly recognises the importance of start-ups and SMEs in driving vibrant, business-led innovation within the defence sector and its adjacent markets. The ongoing events in the Ukraine have increased focus in this area and opened up routes to new and valuable accelerator funding streams.

With this shift, the global power balance driving increasing spend in all NATO countries is creating a pull on innovation, and the continual push for more efficient, sustainable products and capabilities is unmistakeable. Additionally, with the economic environment driving more focus on sovereign grants and spend on sovereign capability, Futureworx is well placed to capitalise on emerging market opportunities.

> **"With our focused and talented team, we are using the best qualities of Marshall to lead the way into emerging and valuable opportunities for the Group."**
>
> **Chris Walton**
> **Founder**
> **Futureworx**

Operational review continued

Marshall Group Properties

Marshall Group Properties ('MGP') manages the Marshall portfolio of buildings and land.

Its two most significant areas of focus are its joint venture partnership with award-winning Hill to deliver the new 1,300-home Marleigh development in Cambridge and the promotion of the 900 acres of airport land for the development of Cambridge East.

MGP will work alongside the people of Cambridge to create an extraordinary new place, providing world-class education, employment and housing opportunities.

Operational performance

- Statutory profit before tax £34.4m (15-month period); 2020: £10.8m profit (12-month period).
- Underlying profit before tax £12.4m (15-month period); 2020: £4.5m profit (12-month period).

MGP recorded a number of important milestones during 2021, the most significant being the inclusion of the airport land in the Greater Cambridge Preferred Options for the Local Plan.

Work to support the successful relocation of the Marshall Aerospace and Marshall Land Systems businesses also progressed well. Following a successful public consultation, the project team is on track to submit an outline planning application for a new facility for the Aerospace business during Q3 of this year and is at an advanced stage of work to find a suitable new location for the Land Systems business in or around Cambridge. Other relocation and demolition work required to enable Phase 3 of Marleigh was also successfully commenced in line with plan.

The sale of the land North of Cherry Hinton Road to Bellway/Clarion JV in March 2021, has been treated as a separately disclosed exceptional item (see note 3) and is the principal exclusion in arriving at the underlying profit before tax of £12.4m (2020: £4.5m). Initial receipts of £9.1m were received with three subsequent annual payments due in March 2022-24. The developers have renamed the development Trinity Fields and have begun the process of consultation with the local community.

Sales for Phase 1a of the Marleigh development were broadly in line with expectation with 78 private dwellings sold in the period, complemented by the sale of 57 shared ownership apartments and homes on the development to L&Q.

Phase 1b has sold out and the vision for a vibrant, sustainable community has now come to life with the opening of the new primary school, Jubilee Square, and a host of other shared facilities and green spaces.

Marketplace

Propelled by the pandemic, the design of, and demands on, our future cities as more office workers are working from home more than ever before, is resulting in office buildings being repurposed to residencies and a growth in mixed use buildings and developments.

The majority of office workers are unlikely to return to the office full time, however businesses will use city headquarters to retain and attract talent, and to conserve Company culture.

This shift is creating a new demand for the "15-minute lifestyle" enabling people to live, work and play in walkable, amenitized, real places that allow them to live fuller lives without the need to drive from one place to another.

Marshall Motor Holdings

Marshall Motor Holdings ('MMH') is the seventh largest motor dealer group in the UK. It operates 160 franchise dealerships, representing 26 different brand partners in 37 different counties across England and Wales. In addition MMH also operates nine trade parts specialists, three used car centres, five standalone bodyshops and a pre-delivery inspection ('PDI') centre.

At the period end, MMH was an independent public company, with its own board and has published its own report. On 29 November 2021, Marshall of Cambridge announced its intention to sell its 64% controlling interest in MMH to Constellation Automotive Group. This transaction completed after the period end, on 11 May 2022.

Operational performance

- Profit before tax £81.0m (15-month period); 2020: £14.9m (12-month period).
- Underlying profit before tax £96.8m (15-month period); 2020: £23.0m (12-month period).

Like much of the industry, MMH benefited from the tailwinds created by the reduced new vehicle supply, increased used car demand and increased margins.

Revenue increased to £3.8bn over the 15-month period (£2.2bn in the previous 12 months), also reflecting three business acquisitions in 2021, including Cheltenham and Gloucester Jaguar Land Rover in May, Leicester Nissan in June and the much larger (48 operating franchises) Motorline Holdings in October.

During the period, MMH disposed of or closed 11 businesses and invested £23.7m in capital expenditure, including the purchase of freehold on three previously leasehold properties.

Marketplace

During the first three months of 2021, the UK was going through the third national lockdown of the pandemic. This placed restrictions on motor retail operations, although not as severe as during the two lockdowns in 2020. Having scaled back production during 2020, vehicle manufacturers struggled to restore volume levels due to the global shortage of semi-conductors, restricting the supply of new vehicles from the end of the first quarter in 2021.

The restricted supply of new vehicles had two principal impacts on the industry. Demand overtook supply, driving up margins, and demand increased sharply for used cars to fill the gap, driving up used car values significantly month after month.

Some vehicle manufacturers started to switch production to higher margin vehicles and prioritised retail customers over fleet buyers. As a result, while the UK new vehicle market only increased by 1% over 2020, new registration to retail customers increased by 7.4% while fleet registration declined by 4.4%. This change became more pronounced in the first quarter of 2022 (retail up 22%, fleet down 20% in a market down 1.9%).

The used car market grew by 11.5% in 2021 and a further 5.1% in the first three months of 2022. Used car values, on average, increased by 14.1% over the period. Aftersales continued to be impacted by Covid-19, including the consequential effect of the MOT and service deferrals in 2020 and the reduced car parc resulting from reduced new car sales.

Financial review

"An exceptional financial performance with substantial growth in revenue and profit."

Doug Baxter
Chief Financial Officer

Revenue for the 15-month period was £4.2bn, representing a 68% increase from the previous 12-month period (2020: £2.5bn).

Whilst this increase reflects the comparison of a 15-month to a 12-month period, there were also contributions from the MMH acquisitions in the period, most noticeably Motorline Holdings Limited, contributed £426m of revenue following its acquisition on 14 October 2021.

On a period-end adjusted basis, revenue for the Core Group (the Group excluding MMH) was flat (0% change), with an increase in revenue from Marshall Fleet Solutions (18%), offset by reductions in Marshall Aerospace (6%), and Marshall Land Systems (14%).

On a statutory basis, the Group reported a profit before tax of £91.9m (2020: £30.5m). Underlying profit before tax, which excludes separately disclosed exceptional items, was £100.7m (2020: £39.1m), significantly better than our initial expectations. This was driven by the longer reporting period and a strong performance from MMH, which benefited from significant market tailwinds and the contribution from in-period acquisitions. Underlying profit before tax for the Core Group was £3.8m (2020: £16.0m) driven by the challenges in Marshall Land Systems and to a lesser extent Marshall Aerospace. These were offset by a good performance from Marshall Group Properties with the continued development of Marleigh.

Exceptional items

Separately disclosed exceptional items represent items that the Group considers to be non-routine or that warrant separate disclosure to aid an understanding of the underlying business. The main items in this respect were £10.2m (2020: £7.7m) of restructuring costs, mostly in MMH, a £6.9m (2020: £nil) contract loss provision in respect of a major complex project in Marshall Aerospace and a £4.4m (2020: £nil) impairment of the ERP system in Marshall Aerospace, offset by £23.0m (2020: £8.0m) profit on disposal of land mostly in Marshall Group Properties. Exceptional franchise and goodwill amortisation relates to MMH's acquisitions and was £9.1m (2020: £6.5m).

Interest and tax

Despite the extended reporting period, finance costs were flat, £7.2m (2020: £7.2m), with additional interest on bank loans being offset by additional interest receivable from joint ventures as the Group continues to fund the development of Marleigh.

The Group is expecting to pay tax relating to the 15-months period of £17.2m (2020: £4.0m), including local corporation tax paid in our overseas operations. The increase from 2020 is driven largely by the Group's increased profitability.

Deferred tax assets arising from historic losses have been recognised where the Directors consider that profits will be made in the foreseeable future, ensuring full recovery. The Finance Act 2021 increased the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. Deferred tax assets and future tax liabilities have been re-valued, using the higher corporation tax rate of 25%. As a result of the relative size of this charge to the increased Group profit, the effective tax rate has decreased to 26.3% (2020: 27.8%).

Dividend

As in previous periods, preference dividends amounting to £744,000 were paid to preference shareholders during the period.

Two interim dividends were paid during the period and cumulatively equate to 4p per Ordinary share per period and 6p per non-voting priority Ordinary ('NVPO') share. The Board is not recommending a final dividend in respect of the 2022 period.

Following the sale of its shareholding in MMH after the period end, a Special Ordinary dividend of 76.0p to both Ordinary and NVPO shareholders was paid on 7 October 2022 (2020: £nil) . See note 21 to the financial statements. The Special Ordinary dividend will be recorded in the financial statements for the period ending 31 December 2022.

Earnings per share

Earnings per share, on a statutory basis, were 77.9p (2020: 30.0p). Adjusting for separately disclosed exceptional items, as set out in note 3 and the paragraph above, underlying earnings per share were 82.9p (2020: 41.3p).

Financial position

Net debt/cash flow

The Group closed the period with total net debt of £21.5m (2020 net cash: £12.9m).

Capital expenditure totalled £58.4m (2020: £40.0m) with the Group continuing to invest in its infrastructure for the future. Fixed asset investment within MMH was £38.6m (2020: £11.7m) and the Core Group invested £18.8m (2020: £26.1m), principally in the ongoing implementation of new enterprise wide systems, preparatory works for Marshall Group Properties' developments and Marshall Fleet Solutions new supersite at Tamworth.

During the period, MMH acquired the share capital of Motorline Holdings Limited for cash consideration of £64m. It also acquired the trade and assets of three dealerships for cash consideration of £10.6m.

Receipts from the sale of tangible fixed assets and investments totalled £19.2m (2020: £15.8m), principally relating to the sale of land north of Cherry Hinton Road and the sale of Martlet Capital.

Financing

The Group operated with two major loan facilities. The Core Group has a committed, unsecured £75m revolving credit facility, due to expire in March 2023. It is not expected that this facility will be renewed. MMH held a £60m revolving credit facility, which is committed until September 2024.

Intangible assets

Goodwill and franchise agreements relate to the acquisitions made by MMH and are amortised over 10 to 20 years. Total amortisation during the period was £12.0m (2020: £7.7m), with the net intangible asset carried on the balance sheet of £145.1m (2020: £94.1m). Intangible assets added by acquisition during the period were £61.4m (2020: £1.1m).

Joint ventures

During 2017, the Group entered two joint venture partnership arrangements with Hill Residential Limited, relating to the Marleigh development. The Group holds a 50% interest in both partnerships with each party having equal representation on the joint venture boards.

Sales activity in these joint ventures has been broadly in line with expectations with 135 unit sales achieved in the 15-month period. This is up significantly from the 10 in 2020, when sales activity commenced. The Group has recognised £4.0m (2020: £0.5m) of profit, representing its share of the net profit achieved within the development in the period.

Pensions

The Group's defined benefit pension scheme, the 'Plan', as calculated under FRS 102, moved from a deficit of £4.6m (2020) into a surplus of £4.0m. In accordance with FRS 102, this surplus has not been recognised in the financial statements (2020: net liability of £3.7m after deferred tax). The expected liabilities decreased primarily due to an increase in the discount rate, whilst scheme assets enjoyed strong investment performance. The Plan was closed to future accrual of benefits during 2018.

The Board and the Trustees of the Plan continue to work together to agree steps to reduce the inherent risk within the Plan and ensure that the Plan remains viable, effective and cost efficient. A funding valuation used both by the Trustees and the Group, as at 31 December 2019, indicated an actuarial deficit of £5.0m. To address the deficit, the Group agreed to make annual cash contributions through to 2023 of £1.24m.

Treasury operations

Our policy on treasury and financial risk is set by the Board and reviewed on a regular basis. The majority of the Group's revenue and expenditure within individual operations is denominated in the same currency giving an effective natural hedge to relevant transactions. Any residual net foreign exchange risk is hedged at the point of order placement, using a combination of forward contracts and overdrafts.

Key performance indicators

The individual businesses use a number of Key Performance Indicators ('KPIs'), both financial and non-financial to measure and monitor performance. The diversification of the Group's businesses means that few are applicable for every company. There is a small number of specific KPIs, against which individual or Group performance can be monitored. These are set out on page 14.

Risk management

Managing our risks

Taking risk is an inevitable aspect of the businesses we operate within and therefore risk management is a fundamental part of achieving our strategy. Risk is present in everything we do and it is therefore our policy to identify, assess and manage the key areas of risk on a proactive basis. We seek to embed risk management into the culture of the Group without introducing unnecessary bureaucracy. We involve, empower and give ownership of the identification and management of risk to all of our operating companies.

Throughout the Group's majority ownership of Marshall Motor Holdings, the latter operated its own separate and independent risk management framework, which is not included in this report.

Risk appetite

Risk appetite is the level of risk the Group chooses to accept in pursuit of its strategic objectives. The Group's lowest risk appetite relates to safety and compliance objectives, and its reputational exposure, with a higher risk appetite towards its strategic and operational objectives. The Board has identified 10 key risk categories that are intrinsic to its consideration of appetite for risk, and which align with the published Group strategy. The Group is willing to bear or retain risks that have been assessed as being within the levels set for each risk category.

Risk framework

The Group has an established framework, structure and process for the management of its key risks, and the responsibility for risk identification, assessment, mitigation and reporting lies with the management of each of its businesses. Each business, and the Group overall, has its own risk register where risks and their relative likelihood and impact scores are reviewed and re-scored regularly by each risk owner. Routine review, monitoring and reporting by the businesses enables the Board to ensure its risk appetite remains appropriate and that the businesses act consistently within it.

The Group takes a proactive approach to risk management, with the expectation that by identifying risks early, the likelihood and impact of those risks might be reduced or removed before they transpire, and appropriate plans can be put in place to deal with them effectively if they materialise. Providing a safe working environment for employees, customers, suppliers and visitors is of paramount importance to the Group. Equally as important is ensuring the Group operates in a sustainable manner, minimising its impact on the environment and its neighbours. The operating companies continue to maintain an appropriate governance structure for managing the complex regulatory landscape surrounding health, safety and the environment.

As with any system of internal control, risk management policies and processes are designed to manage, not eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

Accountability

The Board oversees the system of risk management and internal control through its Audit and Risk Committee in conjunction with the risk management and assurance processes detailed in this section. Any matters of particular concern are escalated for presentation to the Board.

Principal strategic risks

The Board has identified 10 principal strategic risks, nine of which were already identified in the previous period:

- Business interruption
- Cyber attack
- Contract completion
- Geopolitical
- Resource and succession planning
- Regulatory breach
- Relocation from the Cambridge Airport site
- Impact of and response to Covid-19
- Bribery and corruption
- Property development

Further details are set out on pages 31 to 35. With the cash receipt in May 2022 of circa £200m from the disposal of Marshall Motor Holdings, the Group liquidity risk has now been retired, but was a principal risk during the period. Recognising the connection between resource and succession planning, particularly with regard to critical skills, the succession planning and organisational capability risks have been combined. Likewise, the UK defence policy risk has been subsumed within the geopolitical risk as the impact from, and governmental response to, world events impact our defence businesses. Given the importance of the Cambridge East development, the risk around the experience and capability of property development has been promoted from operating Company level to Group level.

As part of the wider risk management process each principal strategic risk has been mapped to one or more of the risk appetite categories. Business decisions and discussions on further risk mitigations take into consideration whether the likelihood and/or impact breach agreed appetite levels.

Additionally, the Group is exposed to exchange rate variations in both customer and supplier contracts within its operating subsidiaries; an imbalance in these could lead to significant exchange rate risk exposure. The Group uses foreign exchange hedging instruments to mitigate this risk on a case-by-case basis.

Recognising that the majority of our customers are government-backed and individual exposure to other customers is very low, the Directors believe they have appropriate plans in place to mitigate credit risk in the business.

Governance

The Audit and Risk Committee operates a programme of rolling deep dives to ensure that each principal risk undergoes periodic scrutiny. The higher the risk score, the more frequent the deep dive. This includes a review of past and future actions together with mitigations. During the period, the Committee undertook deep dive reviews into the following risks:

- Business interruption
- Cyber attack
- Regulatory breach
- Contract completion
- Geopolitical

The risks relating to the impact of Covid-19 Group liquidity constraints and resource and succession planning were reviewed directly by the Board during the period. The Board also received presentations on the relocation from Cambridge Airport and the progress on Marleigh and Cambridge East. The bribery and corruption risk continued to be monitored by the Executive Ethics Committee with no issues requiring escalation to the Committee.

The Audit and Risk Committee also reviewed at each meeting the progress on the replacement ERP system, a principal decision made by the Board during the prior period. The Board is also regularly updated on compliance with GDPR and information governance.

The internal auditors also take a risk-based approach to the audits they undertake. During the period they carried out reviews of:

- the cyber risk management controls in place across the Group;
- policies, procedures, processes and controls for payroll, tax, procurement and compliance with GDPR;
- key financial controls; and
- design and operational effectiveness of the end-to-end purchase to pay process.

Executive Risk Management Committee

The Executive Risk Management Committee ('ERMC') has the responsibility for the oversight of the maintenance of the Company's operational risk management plan. This provides the framework for monitoring risk management activities.

The plan includes the following elements:

- identification of key risks;
- measurement of risk in terms of probability and impact in the context of current controls and strategies;
- evaluation and prioritisation of risks including severe, but plausible scenarios;
- development and implementation of risk control strategies; and
- monitoring and reviewing the effectiveness of the risk management system.

The ERMC is charged with the responsibility of reviewing and monitoring key risks which are identified, assessed, reviewed and reported separately by the businesses. These risks are consolidated and form the 10 principal strategic risks detailed on pages 31 to 35. To support the businesses, the ERMC assists in establishing, maintaining and reviewing procedures at management and operational level to identify, monitor and mitigate operational risk.

The ERMC met three times during the period under the chairmanship of the Group Company Secretary, with meetings scheduled in accordance with the Audit and Risk Committee timetable. Chairmanship has since transitioned to the Chief Financial Officer. Relevant directors from each operating company, with additional invitees at the Group's request, attend the ERMC to share best practice across the Group and to review and monitor new risks and procedures. The ERMC serves both to embed risk management procedures and advise the Audit and Risk Committee on current risk exposures and potential changes to future risk strategy.

Risk management continued

Reporting

Risk management and assurance activity conforms to the three lines of defence model. The first line of defence is performed by the businesses, through managing activities in accordance with established operating principles; the second line of defence is performed by the oversight functions, including company secretary, finance, HR and the safety and governance team; and the third line of defence is performed by the internal auditors, reporting to the Audit and Risk Committee.

Risk assurance activity during the period

Risk assurance activity during the 15 months ended 31 March 2022 included the following:

- confirmation of the Board's risk appetite to ensure risks are only taken in pursuit of strategy;
- mapping of each risk on the Group's risk heat map to a risk appetite category;
- re-evaluation by the ERMC at each meeting of the Group's top strategic risks and their position on the Group's risk heat map;
- pre-review by the ERMC of all risks undergoing deep dive at the Audit and Risk Committee, whereby the management or mitigation of the Group's principal risks are presented by line management who are responsible for the relevant risk;
- continued development of the rolling deep dive programme for the Audit and Risk Committee;
- consideration of new risks and whether current risks are increasing or decreasing; and
- regular review of most significant risks continuing at Board level.

We continue to appraise the effectiveness and appropriateness of our risk management processes. As part of this we anticipate updating our risk management framework, strengthening the focus on, and review of, our principal strategic risks.

Communication

The Group provides all employees with the necessary tools to support all of its operating companies in their effective management of risk. The aim of the risk management framework is to ensure a consistent approach to managing risks across the Group, and to show employees how everyone can contribute to the process, identifying risks as early as possible and understanding how to deal with them effectively.

Board assessment of principal risks

The Board is satisfied that the risk management and assurance activity undertaken through the period conforms to the three lines of defence model and is sufficient for it to confirm that it has carried out an assessment of the principal risks facing the Group during the 15 months ended 31 March 2022, including those that would threaten its business model, future performance, solvency or liquidity.

The Group's risk profile evolves as changes in circumstances elevate risk, mitigating activities reduce net risk over time, or as new risks emerge.

More detail on the risk activity can be found in the Audit and Risk Committee Report on pages 68 to 70.

The risks listed do not comprise all those associated with the Group and the order does not denote priority. Additional risks and uncertainties not presently known to management, or currently deemed to be less material, may also have an adverse effect on the business. These less material risks are kept in view in case their likelihood or impact should show signs of increasing.

Principal risks and uncertainties

1 Business interruption

Likelihood L Impact H Risk movement ▼

Responsibility Chief Executive Officer

Risk description
Disruption to the operation of the business caused by an event or combination of events impacting all or substantially all of the business.

Context
The Group's business environment has ageing facilities and infrastructure, including some of the non-property assets such as plant and equipment. Its operational environment currently includes aircraft maintenance activities, processes, and manufacturing.

Severe but plausible scenarios
Loss of access to employees and/or facilities as a result of a pandemic was identified as a potentially severe but plausible scenario many years ago. As anticipated, the onset of the Covid-19 pandemic caused serious disruption to the business from the second quarter of 2020 and through 2021. During the latter part of 2022, the business recovered to a more stable footing, recognising the "new normal" of living with Covid-19. However, other possible future scenarios include a major incident at the airport, the disruption to core IT systems, the loss of regulatory approvals, and the loss of business-critical buildings or infrastructure.

Mitigating activities
As the severe but plausible scenario of a pandemic unfolded, the business continuity plan was put into action and effectively tested live. The required actions included working from home or other locations, strengthening of internet and remote working resilience, social distancing measures, and modification of the business operating models.

Other business continuity plans, incident notification plans, and airport emergency plans are currently in place, and have been tested. Consequently, the assets deemed critical to core business, and the timescales for the reintroduction of such assets, have been identified and encapsulated on a risk register should another major incident evolve. Additionally, high risk compliance contracts and service level agreements are in place with third-party specialists.

2 Cyber attack

Likelihood M Impact M Risk movement ▶

Responsibility Chief Financial Officer

Risk description
Operational disruption, commercial penalties, and reputational damage associated with a successful cyber attack on the business information infrastructure.

Context
The threat environment is continually evolving. Defence companies are at a higher risk of being targeted by a high-end sophisticated sleeper or an information-gathering mission which does not readily present visible symptoms.

Severe but plausible scenarios
The key scenarios include operational interference caused by BIS infrastructure disruption, and the loss of engineering design data compromising national security and resulting in the inability to tender for secure government programmes. Further scenarios include employee data loss or other GDPR data breaches, as well as operational costs associated with remediation activities necessary in the event of a significant or sustained breach.

Mitigating activities
The nature of cyber threats means that the penetration of the lower risk general data perimeter is, on occasion, generally accepted as unavoidable. Significant investment has been made to increase rapid threat identification, response, and containment, together with a layered defence which negates the ability to compromise high-value data systems. As a result, independent third-party reviews of threat activity taken during the period have confirmed no breach events.

In 2021, an independent IT Health Check ('ITHC') was performed to provide the UK MoD assurances of Marshall's cyber security. In the routine course of the business year, several initiatives were implemented to update and bolster cyber defences. Marshall continues to successfully engage with customer audits, MoD accreditors, and the National Cyber Security Centre ('NCSC') to enhance its cyber defences, detection, and response to existing and new threats.

L Low | M Medium | H High | ▲ Increasing | ▼ Decreasing | ▶ No change

Principal risks and uncertainties continued

3 Contract completion

Likelihood L | Impact L | Risk movement ▼

Responsibility Marshall Aerospace Managing Director

Risk description
Significant delay and cost escalation in the Group's Global 6000 complex engineering project, resulting in significant losses being recorded and unbudgeted cash requirements.

Context
The Group continues to review estimated costs to complete and monitor progress against the key milestones embedded in the project, including the reduction in the performance bond.

Severe but plausible scenarios
The core scenarios include further programme delays giving rise to the risk of additional costs, impact on reputation and brand, and a reduction in the ability to win new complex engineering contracts.

Mitigating activities
During 2021, a further Joint Accord was agreed with the customer. Both aircraft have been delivered and are operational with the end user. Historic milestones have been closed and accepted, and the likelihood of any severe but plausible scenarios materialising has reduced. Correspondingly, the risk score has reduced over the period.

4 Geopolitical

Likelihood M | Impact M | Risk movement ▶

Responsibility Chief Executive Officer and business Managing Directors

Risk description
Geopolitical events which adversely impact government policy and defence budget spending. While historically related to the UK Government, it also extends to governmental responses in North America, Europe, and the Far East, who are an increasing part of the Group's customer base. Recent influences on policy include Brexit, Covid-19, and the war in Ukraine.

Context
In March 2021, the UK Government announced that it was accelerating the out-of-service date of the C-130J. While a financial settlement has been reached, it increases the reliance on resale opportunities, follow-on work in relation to the UK fleet, as well as C-130 business from non-UK customers. Elsewhere, post-Brexit trading arrangements, supply chain interruptions from Covid-19, and the war in Ukraine continue to create additional challenges to the business.

Severe but plausible scenarios
The key scenarios include failure to achieve significant follow-on business in relation to the UK fleet thereby reducing the number of aircraft served by the business, and failure to recover investment in the Centre Wing Replacement programme. Additional scenarios include change in procurement and outsourcing arrangements of key customers, challenges related to the movement of goods and labour between UK and Europe, and significant supply chain distribution caused by an escalation in the conflict between Ukraine and Russia.

Mitigating activities
The Group is reducing impact by diversifying C-130 business away from the UK and developing a more international customer base, with focused national business development programmes, as well as driving performance to demonstrate our value proposition and place as a key partner to C-130 customers. Its businesses are also reviewing supply chains to understand the risks and to make plans where possible to mitigate any major disruption. Furthermore, businesses are maintaining links with government officials at a local and national level, particularly in relation to the impact of the Covid-19 pandemic on the economy and the government's investment decisions.

5 Resource and succession planning

Likelihood M **Impact** M **Risk movement** No change

Responsibility HR Director

Risk description
To deliver the strategic plan and impact performance, the Group's businesses require robust resource, continuity, and succession planning for key Executives and specialists with critical skills.

Context
There are critical programmes and projects that will need to be delivered over the course of the next five years. The delivery of certain key programmes is currently dependent on a few core individuals. Past business performance has created an unpredicted workload and a skills, utilisation, and loading mismatch.

Severe but plausible scenarios
The main scenarios include the Group's businesses being unable to retain their key individuals needed to deliver their strategic and business plans, as well as unforeseen circumstances leading to loss/absence of a key individual with critical skills. A further scenario is the unpredicted workload on major projects or activities which create a continued financial and management burden.

Mitigating activities
A key tenet of the Alignment project completed during 2021 was to give clear career development structures. Succession planning is reviewed twice annually. During the period, a comprehensive organisational review and redesign was completed to ensure the business had an appropriate mix of capabilities and capacity. This included the ability to maintain flexibility with contractors supplementing core, permanent resources. A new HR system was implemented and will help to design and embed resource planning and management.

6 Regulatory breach

Likelihood L **Impact** M **Risk movement** No change

Responsibility Business Managing Directors

Risk description
Breach of airworthiness or health, safety, and environmental regulations. Failure to adequately interpret, apply, and implement regulatory requirements. Failure to follow or adapt internal policies, processes, and procedures. Failure to effectively address major audit non-conformances.

Context
The regulatory environment is continually evolving against a backdrop of safety culture and development of appropriate safety behaviour.

Severe but plausible scenarios
The key scenarios include mechanical failure leading to loss of aircraft, health and safety incidents leading to fatalities or major injury, major product quality escape, and environmental contamination.

Mitigating activities
The Group improves safety and regulatory competencies through the delivery of tailored, effective training. It has reinforced positive safety behaviours and challenged inappropriate safety behaviours through the application of safety coaching conversations. Effective policies, processes, and procedures, together with training, have been used to identify root causes and drive corrective actions. Benchmarked accident frequency rates, both across the businesses and with other organisations, allow appropriate comparisons improving practices, including areas such as engineer call-out and lone-working.

L Low M Medium H High ▲ Increasing ▼ Decreasing ▶ No change

Principal risks and uncertainties continued

7 Relocation from the Cambridge Airport site

Likelihood M **Impact** M **Risk movement** ▶

Responsibility Chief Executive Officer

Risk description
Impact of the proposed relocation from the site at Cambridge Airport on the current and future businesses and on Cambridge East. Areas of potential impact include staff morale, retention and recruitment, and business winning and programme delivery. Failure or a delay in the relocation could also put at risk the Group's planning application and, in the extreme, impede the Cambridge East development.

Context
The redevelopment of the Cambridge Airport site is contingent on the successful delivery of the proposed relocation from Cambridge Airport, currently scheduled for the latter part of this decade.

Severe but plausible scenarios
The core scenarios include the failure to find a suitable site for Aerospace and Land Systems, impacting the deliverability of Cambridge East. Some operations may also require two moves which could result in significant additional cost, risk, and disruption. Growth of Marshall Aerospace and Land Systems could also be constrained by their new sites proving to be unsuitable for some future needs. An additional scenario is the loss of staff as a result of the proposed move impacting business.

Mitigating activities
In addition to input into employee forums, workforce communications are now being delivered at least quarterly. A significant tranche of work has been undertaken to provide a deeper analysis of issues and the suitability of candidate sites from an operational and socio-economic workforce perspective to inform the cost model (capital, transitional and operational). In October 2020, the Group signed an Option Agreement for a 150-year lease on a parcel of land on Cranfield University's proposed Air Park development.

8 Covid-19

Likelihood M **Impact** M **Risk movement** ▼

Responsibility Chief Executive Officer

Risk description
Failing to safely deliver business continuity throughout the Covid-19 pandemic while protecting the Group's employees.

Context
The business has a number of critical programmes and projects that will need to be delivered over the next five years. The delivery of some key programmes is currently dependent on a few key individuals, as well as the wider workforce in the hangars.

Severe but plausible scenarios
Plausible scenarios include rising cases of infection inside and outside the organisation that impede or prevent the delivery of products and services, thereby being unable to deliver current business plans and breach the commitments associated with the Group's agreements. Further scenarios include the eroding of the Group's financial position that will require emergency measures to be taken, and the failure to comply with government policy and guidelines.

Mitigating activities
The risks have been identified by the business and plans have been established to respond to the crisis as it continues to evolve. Almost half of the workforce has worked successfully from home and the organisation continues to invest in the capability and effectiveness of remote working. For those in critical positions who must attend the site, a number of measures can be deployed if necessary, including social distancing, bubbles, and additional PPE. During the period, the organisation has also mobilised routine on-site testing – with this being extended to all front-line workers. All measures and actions are kept under review for appropriateness and effectiveness.

9 Bribery and corruption

Likelihood L **Impact** L **Risk movement** ▶

Responsibility Company Secretary

Risk description

Risk of the Group's exposure to, or involvement, with bribery, corruption, and unethical practices.

Context

The inherent risk of being affected by bribery and corruption is heightened in the aerospace and defence sectors, as evidenced by high-profile cases in both sectors. This risk is also acknowledged as being potentially increased in jurisdictions known for corrupt behaviour, as assessed by third-party organisations. The relevant legislation driving compliance is the UK's Bribery Act 2010. This includes the scope covered by the US Foreign Corrupt Practices Act of 1977 (FCPA).

Severe but plausible scenarios

Scenarios include engaging an adviser or representative or having an employee who engages in practices which are contrary to current legislation and Marshall's ethical standards. Securing contracts with a company, government, or government-connected organisation which renders the Group more vulnerable to unethical practices or illegal activity, either directly or from a reputational perspective.

Mitigating activities

The Group's core customers are mainly government bodies or First-Tier Contractors with multiple interested parties, approvers or decision makers. Regulated scoring systems and scrutiny are regularly undertaken. Generally, there is minimum use of representatives and, where used, they are carefully vetted and closely monitored. Additionally, independently checked processes and procedures and layers of delegated authority are de rigueur, and regular reviews are conducted by the Executive Ethics Committee.

10 Property development

Likelihood L **Impact** H **Risk movement** ▶

Responsibility Group Properties Managing Director

Risk description

The Group's limited global experience in relation to developments on the scale of Cambridge East impacts the quality of decisions and the balance of the development's quality and returns.

Context

Cambridge East will be a significant development on a national scale. It will be inexorably larger and more complex than Marleigh. To date, the Group has secured full outline permission for Marleigh (1,300 units), having successfully entered a JV with Hill Residential for the first and second phases and, through that JV, is delivering 968 homes into the market.

Severe but plausible scenarios

Plausible scenarios include a lack of relevant global experience and resource resulting in unfavourable contracts with much more experienced suppliers. Decisions made on Marleigh may also detract from the overall potential value of Cambridge East. Furthermore, the cost of delivering the necessary quality to raise the perceived value of the eastern side of Cambridge may exceed the potential returns sought from the developments.

Mitigating activities

The Development and Advisory Group has been established to steer the project team, and a strategic review of the Cambridge East development options for MGP has been undertaken. Approval by the Board to engage experienced agents, Savills, to support the procurement of an internationally experienced Master Development Partner (MDP) to assist with the development is now underway.

It is envisaged the appointment of an MDP will be concluded in the latter half of 2023 to coincide with the publication of the Local Authorities Local Plan (Regulation 18) to include Cambridge East as an important strategic site for the growth of Cambridge's sub region.

L Low M Medium H High ▲ Increasing ▼ Decreasing ▶ No change

Section 172 statement

Under Section 172 of the Companies Act 2006, the Board is required to act in a way that the Directors consider, in all good faith, is most likely to promote the success of the Company. This is success for our shareholders, but also for our other stakeholders, which include our people, customers, suppliers and communities.

The Board ensures that all decisions are taken to drive long-term growth and prosperity while recognising the requirement to understand and take into account the needs of the Company's shareholders and other stakeholders to whom it is accountable, as well as the environment in which it operates. The Board fulfils its duties partly through its robust governance framework which delegates day-to-day decision making to its leadership teams and its people without losing overall accountability. Within the governance framework is a protocol which provides detailed guidance for all Directors and management on the application and execution of their Section 172 duties.

More detail on the methods the Directors have used to engage with stakeholders and understand the issues can be found in the Stakeholder Engagement report on pages 37 to 38.

Principal decisions

The Board has also adopted a protocol to support the Directors of subsidiaries within the Group in making principal decisions. Principal decisions are those that are strategic, commercially material and impact the Group's stakeholders. The principal Board decisions made during the period and how the Board considered stakeholders, views are set out below.

Sale of MMH

The decision to sell our interest in MMH was not one the Board took lightly. The decision followed a strategic review and an extensive internal and external assessment of the options available. Given the scale of capital investment needed to enable MMH to pursue its growth ambitions and against the backdrop of the considerable uncertainty faced by the automotive industry, the Board concluded that it would be in the long-term interest of the Company to divest its majority holding.

Having made this decision, Constellation approached us with a strong and compelling offer for the business. They have a deep understanding of the automotive sector and the resources to invest. As a result, the Board, Trustees and shareholder representatives accepted the offer which was more than twice the prevailing market price in the previous year. The transaction completed in May 2022.

The principal decisions of the MMH board are set out in the financial statements of MMH.

Group re-organisation

The Board took the decision to disaggregate the Marshall Aerospace and Defence Group (MADG) in June 2021, with each of our businesses now reporting directly. This was to give MADG's three business units, Marshall Aerospace, Marshall Land Systems and Marshall Slingsby Advanced Composites the accountability and autonomy they need to deliver their individual strategies. It flattens the Group structure, gives greater focus on their respective markets, reduces cost and simplifies the business, for both internal and external stakeholders.

Sale of Martlet Capital

Following a strategic review, the Board took the decision to dispose of Martlet Capital and its portfolio of early stage technology companies. The decision followed a substantial consultation with shareholders in the development of the Shareholder Value Proposition. This includes the principle that the Company, in the normal course of business, would not hold investments where the Board is unable to execute significant influence and control. As a result of this review, the Board concluded that Martlet Capital was not a core part of the Group and agreed to transfer this business to a new independent organisation led by Robert Marshall. The transaction completed in September 2022.

Dividend

As a private limited company, access to external capital is limited. Therefore. when making a decision on the level of ordinary dividend to recommend, while recognising the importance of a dividend to its shareholders, the Board has to take a number of factors into account. These include liquidity of funds, stability of earnings, strengthening of the balance sheet, past dividend rates, debt obligations, ability to borrow and the growth needs of the Group.

During the period the Board approved the payment of an interim dividend payable in December 2021 and a second interim dividend in July 2022.

In addition to this, following the sale of its shareholding in Marshall Motor Holdings the Board gave careful consideration to a Special Ordinary Dividend. Factors considered included the size and method of distributions to shareholders, the need to retain a strong and stable balance sheet, the need to ensure the Group can fund its need for growth and take advantage of opportunities presented in the market. As a result, the Board approved the payment of a Special Ordinary Dividend of £44.9m: 76.0p on both the 12.5p Ordinary Shares and the 12.5p Non-Voting Priority Ordinary Shares. This dividend was paid on 7 October 2022.

Response to Covid-19

Following on from last period's principal decision around its response to Covid-19, the Board has kept the situation under review. Safely delivering for our customers, and ensuring the business emerged from the pandemic well positioned, has been a key priority throughout.

There has been a gradual increase in the on-site presence of employees who were previously asked to work remotely. Ensuring employees can interact dynamically and creatively to deliver for our customers was an important consideration in this, as was the need to safeguard employee wellbeing and support networks. For employees on site, working practices have been updated to ensure they appropriately reflect the level of risk at any time.

Recognising the importance of flexible working, both in attracting and retaining staff, but also in ensuring the business remains agile and responsive to customer needs, the Board has continued to invest in remote working infrastructure, resilience and security.

Stakeholder engagement

Marshall is proud to be a private, family-owned business, which is fully committed to maintaining positive relationships with our people, customers, shareholders, communities and suppliers, recognising the unique and crucial role they play in our continued success.

Our people

Why we engage
Our people have always been at the heart of Marshall's success and that remains as much the case today as it has for the past 113 years. It is important that we understand our employees' views on areas that impact their work, that they understand and embrace changes or improvements that we need to make and, importantly that they have a vehicle to share their open and honest feedback.

How we engage
We have had to strive extra hard to keep our people and their representatives well informed about the measures we put in place to keep them as safe as possible during the pandemic, the decisions we are taking and the strategic direction of the business.

We utilise a variety of channels for employee communication to ensure that we are meeting the needs of a diverse workforce but did, at the beginning of 2021 launch our first ever Group-wide collaborative intranet "BEAM", which is available to all employees via desktop computer or mobile phone, complemented by digital communication screens on the shop floor.

We continued our programme of regular in-person/virtual Leadership Events, Team Briefs, Town Halls, Employee Forum and CEO Breakfasts.

Customers

Why we engage
We understand that by developing long-term strategic partnerships with key customers across all areas of our business we differentiate ourselves from our competitors and ensure that we are best-placed to help our customers meet their growth objectives. This enables Marshall to maintain, and capitalise on, its reputation for quality, integrity and innovation within the markets in which we choose to operate.

How we engage
As during 2020, our opportunities for face-to-face engagements with our customers were somewhat limited in parts by Covid restrictions, however, we were able to travel to and host our key customers more regularly towards the end of the period.

Despite these restrictions our sales teams were able to strengthen key relationships and win new business across a range of areas.

We also took the opportunity to actively participate in a range of industry round-table events and trade shows to maximise exposure with existing and potential new customers.

We continued to make innovative use of technology for product sign off and quality assurance and to measure customer feedback across individual business units.

Shareholders

Why we engage
It is important that the business maintains its strong links with the Marshall family and that all our shareholders understand the Board's long-term vision, the decisions that are being taken as well as overall emerging business performance.

How we engage
We continue to look for new, more effective ways to keep our shareholders better informed about the ongoing performance of the business, most notably through the launch of a dedicated Shareholder Portal which is accessible via desktop computer or mobile app.

The portal is updated on a weekly basis to give shareholders exclusive insight to what's happening across all of Marshall as well as providing ease of access to all shareholder documentation and share price information.

In addition, we continue to provide shareholders with the opportunity to attend annual business updates and site tours in Cambridge and hold regular meetings with the shareholder representatives to keep them informed about any important developments and to provide a vehicle for us to discuss any shareholder issues or concerns.

Stakeholder engagement continued

Communities

Why we engage

Marshall is justifiably proud of our hard-won reputation as a force for good in those communities in which we operate; however, it is not something we can ever take for granted. As we enter new markets, execute on our relocation plans and unlock the potential of Cambridge East, the support of our local communities will be more crucial than ever before.

How we engage

We are involved with, and support, numerous initiatives in partnership with our local communities with particular emphasis on education and enablement. Our STEM outreach programme continues to spark curiosity in young people, and we hope many of them will go on to enjoy long and successful careers in engineering.

The Marshall Community Fund continues to make donations to charities or good causes nominated by our own employees, and we have also introduced a paid volunteering scheme which has enjoyed a strong take-up across all areas of the business enabling our employees to give back to the communities in which we operate.

We also nurture positive relationships with our elected officials, at a local and national level, ensuring they are kept informed, engaged and, wherever possible, are supportive of the Marshall business.

Suppliers

Why we engage

A diverse, robust and trusted supply chain is vital to ensure business continuity, cost competitiveness, quality, innovation, sustainability and value across all areas of Marshall. Our strategic partners play an increasingly important role in our continued success and we have some fantastic examples that demonstrate the value of working hand in hand with like-minded organisations who deliver complementary expertise, none more so than our very successful joint venture partnership at Marleigh with homebuilder Hill Residential and our long-term relationship with Thermo King Europe ('TKE').

How we engage

As we come out of Covid-19, we have been able to spend more time visiting existing and potential new suppliers in person and have also continued to host and attend regular supplier forums and events.

We have used the reintroduction of trade shows as an opportunity to engage directly with our supply base both in the UK and overseas as well as expanding our network through active memberships of trade associations and governing bodies.

Outside of these events we maintain an ongoing dialogue and encourage collaboration, enabling us to harness the specialist expertise within our supply base to drive innovation and help to solve our customers' problems.

Sustainability

SUSTAINABILITY
AT MARSHALL

Ambition 2030

At the COP26 conference held in the UK at the end of 2021, governments agreed to continue to improve their national plans for reducing emissions and building climate resilience. Attention turned to mobilising finance to support these plans, particularly to support emerging economies, at COP27 in 2022.

The UN Intergovernmental Panel on Climate Change's latest report "Mitigation of Climate Change", explained that current policies on limiting warming to 1.5°C will not maintain a stable, liveable climate. We have seen the effects in the UK's recent record temperature and extreme heat events.

Having recognised the urgency of addressing climate change and the global risk to society and the economy from inaction, the Board, through its Sustainability Committee, has continued to focus time and resource on the development and implementation of its Ambition 2030 sustainability strategy. Launched as part of the Purpose strategy roll-out in early 2022, Ambition 2030 has been enthusiastically adopted by all Marshall business units and is being integrated into business practices through the Group.

Through Ambition 2030, we are putting sustainability at the heart of everything we do. We are committed to taking ambitious climate action, building climate resilience, ensuring a healthy environment for employees and communities, and using and developing sustainable products and services. We have defined three focus areas and goals to be realised by 2030:

CLIMATE ACTION AND RESILIENCE
AT MARSHALL

Climate Action and Resilience

- 100% renewable energy
- Net zero carbon emissions within our own operations
- Zero land at risk of flooding without mitigation

HEALTHY ENVIRONMENT
AT MARSHALL

Healthy Environment

- Zero (general and recyclable) waste to landfill
- Positive local community engagement

SUSTAINABLE PRODUCTS AND SERVICES
AT MARSHALL

Sustainable Products and Services

- 100% of suppliers aligned with sustanability requirements
- Meet 100% of customer sustainability requirements

Sustainability continued

Marshall Group sustainability framework

Marshall recognises that a key aspect of ensuring the Ambition 2030 strategy is successful is to embed accountability at Board level.

To achieve this the Board has established a Sustainability Committee through which the Company Secretariat governance team oversees the implementation of sustainability policy across the Core Group (the Group excluding MMH), tracking performance against objectives and targets and influencing specific working groups for delivery of the Ambition 2030 programme.

During 2021, a new Head of Sustainability post was introduced to help to deliver the sustainability strategy working closely with colleagues across the Core Group.

As an independent public company, up until it was acquired by Constellation Automotive Group in May 2022, the sustainability activity of MMH is outside the remit of the Sustainability Committee and the Ambition 2030 programme.

Sustainability committee and working groups

The Sustainability Committee meets quarterly to review Ambition 2030 progress and direction, performance against targets and to understand those sustainability opportunities which can deliver environmental or economic benefits, or both. The Committee is particularly interested in decarbonising existing operations wherever possible and is exploring setting an internal carbon price to help incorporate the cost of carbon emissions into business activity and drive investments towards cleaner, more efficient alternatives.

Environmental compliance has been a constant model standard for Marshall operations and activity, but Ambition 2030 is the step change to drive environmental controls through recognised management systems such as ISO14001, particularly in those parts of the business with the largest environmental impacts. There is now an expectation on all business units to consider sustainability in core business functions and all future capital expenditure applications will not pass initial review if sustainability has not been considered.

The Committee uses working groups as conduits to understand better operational aspects of business activity and sustainability opportunities as the strategy matures:

- Sustainability Working Group
- Products Working Group
- Energy Working Group

Over the next 12 months, further working groups will be formed to address opportunities for supply chain engagement, and a healthy environment working group will focus on local aspects of Marshall operations in their respective communities, identifying best environmental practices.

CLIMATE ACTION AND RESILIENCE AT MARSHALL

Climate action and resilience

We will further enhance our efforts to take climate action and become climate resilient by 2030.

Key objectives include

- Reducing emissions across our operations
- Increasing resilience to the physical impacts of climate change at key operating sites and across the value chain
- 100% renewable energy by 2030
- Net zero carbon emissions within our own operations by 2030
- Zero land at risk of flooding without mitigation by 2030

Progress in 15-month period

- Carbon reduction targets set within top-level business strategy
- Established a 2021 net zero carbon footprint baseline for our UK operations
- Established data capture mechanisms for reporting Group energy activity
- SECR energy reporting obligation delivery for the 15-month period to 31 March 2022 operating period – see page 46
- Installed smart-metering across the Cambridge site to understand energy consumption by area and drive efficiencies – see page 44
- Installation of additional EV fast-chargers at a number of Marshall UK sites

Sustainability continued

Healthy environment

We continue to help create a healthy environment to ensure that our employees, our surroundings, those of our supply chain and the Cambridge community can thrive.

Key objectives include

- Preventing pollution to air, water and land
- Minimising the use of natural resources
- Minimising the production of waste and achieving zero general and recyclable waste to landfill by 2030
- Enhancing local biodiversity
- Engaging local communities

Employee engagement will be instrumental in tackling these priorities and establishing improvement programmes essential to creating and maintaining a healthy environment.

Progress in 15-month period

- Maintained our environmental permits to perform certain impacting processes and activities in the field of waste, water and air quality
- Protection of habitats and species through Local Authority agreement – Bee and Lizard Orchids local verge management practices
- Marshall Fleet Solutions and Marshall Aerospace underwent waste management contract tendering exercises, particularly focusing on waste reduction and increased recycling opportunities. Efficiencies will be progressed throughout 2022

SUSTAINABLE PRODUCTS AND SERVICES AT MARSHALL

Sustainable products and services

Through sustainable design and innovation, we will continue to ensure that our business is resilient to changing customer commitments and demands.

Key objectives include

- Engaging with customers to support their sustainability objectives
- 100% of suppliers aligned with sustainability by 2030
- Meet 100% of customer sustainability requirements by 2030

Current practices already target specific customer and supply chain requirements to ensure legal compliance and adherence to environmental best practice. The next step is to take a more strategic and proactive stance on sustainability to go beyond the minimum requirements and identify where the Company can add additional value. We will do this by building sustainability criteria into our design and development processes to ensure impacts on the environment and society are considered at the earliest stage in its processes. We will also further engage with our customers to better understand their sustainability goals to respond to their changing requirements.

Priority topics

- Sustainable design and circular economy
- Customer commitments and demands
- Sustainable supply chain

Progress in 15-month period

- Formed a sustainable products working group focusing on methodologies for assessing the embedded carbon of our products
- Engagement with Slingsby Advanced Composites supply chain on government social value supplier obligations and carbon reduction plans
- Further maturing of the materials working group, to look beyond chemical compliance and hazardous material replacements, and incorporate material sustainability principles and product evaluation
- Plans to establish a sustainable supply chain working group to follow-up on supply chain sustainability engagement studies

Sustainability continued

Ambition 2030 in action

Climate action and resilience:

Smart metering to understand/track our energy

To understand our impact from using energy we need to be able to measure it. This helps us identify high energy consumption "target" areas, understand wasteful practices, and support the procurement of more energy-efficient equipment.

During late 2021, the Cambridge site installed upwards of 140 energy meter pulse transmitters to wirelessly send metered data to a host server.

The energy consumption for each building is retrievable from cloud-based software known as ENMAT (ENergy Monitoring And Targeting) and accessible through a user portal. The software dashboard looks like this:

ENMAT is a market-leading energy and carbon reporting system. It uses the latest data processing and visualisation tools, to see energy usage in near real-time and in ways that will help us to understand what is driving our consumption.

The granular level of data provided will allow departments to appreciate their consumption, the resulting carbon dioxide emission (kgCO_2e) and indicative cost of consumption. It can also show consumption by any date range, split by day/night or shift pattern, weekdays and weekends, to identify trends and anomalies.

Going forward, this automated digital resource will help the Cambridge site track its carbon reduction performance against target at the click of a button.

Sustainable products and services:

Marshall joins forces with Tesco to put 100% solar powered refrigerated units on the road

Marshall Fleet Solutions is working with Tesco, one of the world's largest retailers, on a joint initiative to trial the "Titan" 100% solar powered refrigerated trailers within the Tesco refrigerated trailer fleet in the UK.

This is part of Tesco's long-term commitment to sustainability and reduced carbon footprint targets within its business operations, and helps deliver on Marshall commitments to build extraordinary futures for our customers and planet.

Titan uses power produced from solar panels. It stores the electrical energy in lightweight lithium batteries to provide consistent power to the refrigeration unit, reducing fuel costs, noise and emissions. The Titan system's independent and autonomous design is capable of providing 100% free power to all makes of on-board refrigeration unit, tail lifts and other vehicle mounted electrically powered applications on all vehicles sizes from LCVs, small trucks, to HCVs. Also available for both new vehicles as well as for retrofitting to existing vehicles, Titan has the ability to convert fleets to reach zero carbon goals overnight.

The Titan system is a great example of how Marshall is addressing sustainable products and services through innovation and renewable energy solutions.

TITAN

Streamlined energy and carbon reporting

Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 , the Group is mandated to disclose its UK energy use and the associated greenhouse gas emissions relating to natural gas, electricity and transport fuel. In addition, publication of an intensity ratio as well as the calculation methodology is required.

Calculation methodology and scopes

Energy consumption and greenhouse gas emissions data, as categorised by the GHG Protocol as scope 1, 2 and 3 emissions, has been calculated in line with the 2019 UK government environmental reporting guidance. Emission Factor Databases consistent with the 2021 UK government Greenhouse Gas Conversion Factors have been used, utilising the current published kWh gross calorific value ('CV') and kgCO_2e emissions factors (and further converted into tonnes of CO_2e) relevant for the reporting year.

The calculations cover the following scopes:

- Scope 1 consumption and emissions relate to the direct consumption of natural gas used in our offices and buildings, and fuels utilised for business-owned or controlled transportation operations, such as company vehicle fleets;
- Scope 2 consumption and emissions relate to indirect emissions resulting from the consumption of purchased electricity in day-to-day business operations; and
- Scope 3 emissions relate to transport covered under "grey fleet" (personal cars used for business purposes) and other relevant energy distribution.

Marshall also procures 99% of its electricity supplies from Renewable Energy Guarantees of Origin, or the government approved REGO scheme. This allows for the proportion of electricity purchased via REGO to be discounted from our total greenhouse gas (CO_2e) reporting. The REGO reduction has been reported below. If Marshall electricity supply was not REGO backed, the scope 2 greenhouse gas emissions would total 3,160 tonnes of CO_2e.

Energy efficiency improvements

The Group is committed to year-on-year improvements in operational energy efficiency. All property improvements and refurbishment programmes are designed to ensure enhancement of energy efficiency and reductions in utility consumption by using sustainable energy solutions where appropriate.

Examples of progress with energy management principles are captured under climate action on page 41, but two additional areas are specifically highlighted for their alignment to sustainability strategy;

- Two significant relocation projects on the Cambridge site are underway Manufacturing Support is moving from its current North Works location to Hangar 11 on South Works, and Aerostructures are also relocating across to South Works at Hangar 21. As part of the design brief, technological solutions to improve energy performance, limit consumption and minimise their operational carbon emissions were evaluated and built into the project capital expenditure process.
- Hangar 12 extension lighting was upgraded to LED low energy light fittings, reducing electricity consumption by up to 60% per annum, averting 35 tonnes of carbon emissions each year and saving £20,000 in annual electricity running costs.

The Group is obligated under the Energy Savings Opportunity Scheme ('ESOS') to produce a summary report of all available energy efficiency improvements on a four-year cycle. The ESOS Phase 3 audit will be scheduled for early 2023 and reported to the Environment Agency ahead of the 2023 compliance deadline.

"Within the Core Group, a like-for-like comparison shows a 21.5% reduction in emissions for the 12 months to 31 December 2021 when compared with the 12 months to 31 December 2020."

Sustainability continued

Results

The table below shows the energy consumption and associated greenhouse gas emissions of the Group's operations during the reporting period from 1 January 2021 to 31 March 2022. The absolute increase in emissions between periods is driven by the extension of the current reporting period from 12 to 15 months. Additionally, the acquisition of Motorline by MMH increases the size of the overall Group with the data included for the full period, not just the post acquisition period of 14 October 2021 to 31 March 2022.

Within the Core Group, a like-for-like comparison shows a 21.5% reduction in emissions for the 12 months to 31 December 2021 when compared with the 12 months to 31 December 2020.

Group (Core Group & MMH) – 15-month ended 31 March data combined

Greenhouse gas emissions

Consumption (kWh)	MMH*	Marshall Group	Totals
Scope 1 – direct emissions (natural gas, transport, LPG, kerosene and gas)	71,054,737	40,902,170	111,956,907
Scope 2 – indirect emissions (electricity)	35,283,360	19,048,243	54,331,603
Scope 3 – other indirect emissions currently captured	–	16,062	16,062
Total (kWh)	**106,338,097**	**59,966,475**	**166,304,572**

Emissions (tCO_2e)			
Scope 1 – direct emissions (natural gas, transport, LPG, kerosene and gas)	16,032	9,731	25,763
Scope 2 – indirect emissions (electricity)	6,389	39	6,428
Scope 3 – other indirect emissions currently captured	–	296	296
Total (tCO_2e)	**22,421**	**10,066**	**32,487**

Intensity metric			
Tonnes of CO_2 per £m revenue	6.0	25.1	7.8

Emissions comparison	12 months 2020	15 months 2021/22*	Percentage change
Total emissions	22,036	32,487*	47.4% increase
Total emissions (excluding MMH)	9,650	10,066	4.3% increase

* The data for the 15 months ended 31 March 2022 includes data for the Motorline group of companies for the full period, not just the post acquisition period of 14 October 2021 to 31 March 2022.

Core Group (excluding MMH) – 12-month ended 31 December data

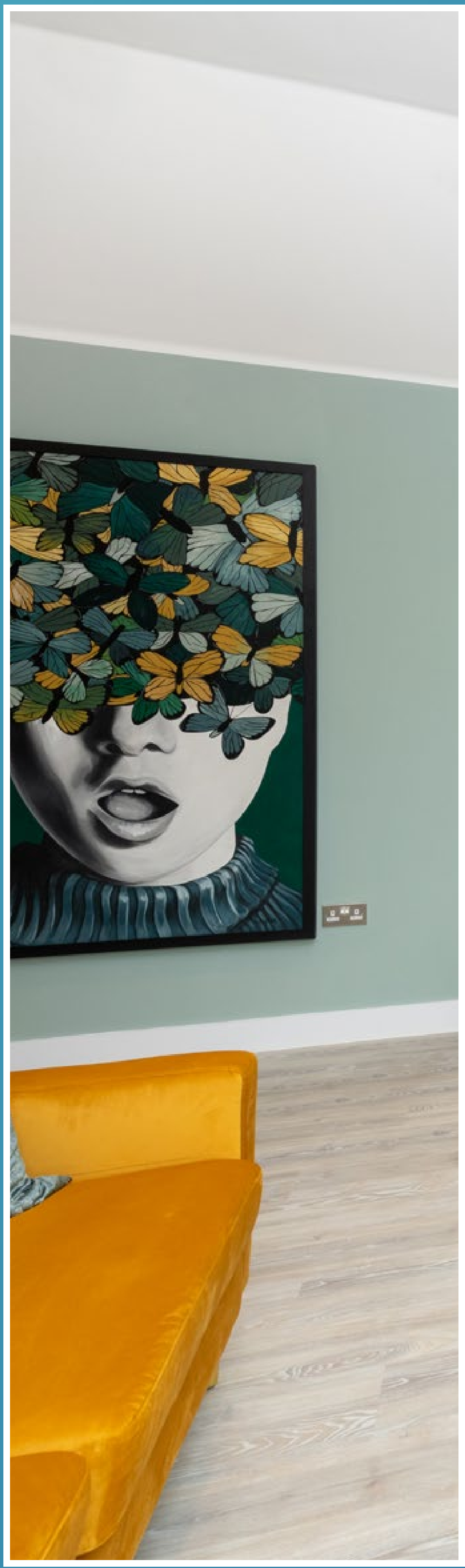
Greenhouse gas emissions	Consumption (kWh)	Greenhouse gas emissions (tCO_2e)
Scope 1 – direct emissions (natural gas, transport, LPG, kerosene and gas)	29,232,347	7,247
Scope 2 – indirect emissions (electricity)	14,733,767	32
Scope 3 – other indirect emissions currently captured	14,313	294
Total	**43,980,427**	**7,573**

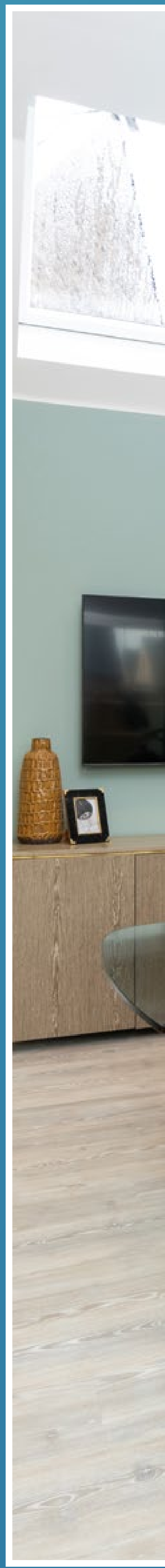
Intensity metric	
Tonnes of CO_2 per £m revenue	23.05

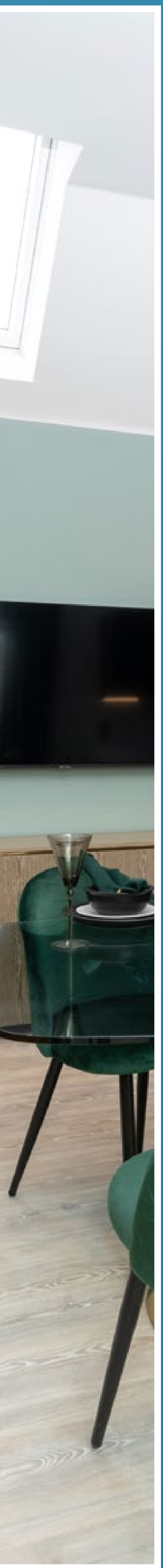
Emission comparison	12 months 2020	12 months 2021	Percentage change
Total emissions tCO_2e	9,650	7,573	21.5% reduction


IDAU

Governance







The Board

Jonathan Flint

CBE FREng, FInstP
Non-Executive Chair
Appointed: 2019

Skills and experience

Jonathan brings extensive aerospace and defence experience to the Board, having held a variety of aerospace technical and managerial roles at Marconi and BAe Systems and, more latterly, been a non-executive director of Cobham plc. He has also delivered strong growth and shareholder value in technology-led markets around the world. He was awarded a CBE in 2012 for services to business and science.

Committee membership

- A N(C) R S

Current external appointments

- Chair of QuantIC strategic advisory board
- Chair of Refeyn

Key former appointments

- President Council of the Institute of Physics
- Non-executive director of Oxford University Innovation
- Chief Executive of Oxford Instruments plc
- Non-executive director of Cobham plc

Kathy Jenkins

Chief Executive Officer
Appointed: 2021

Skills and experience

Kathy joined Marshall of Cambridge Holdings in 2017 as Group HR Director and was subsequently promoted to Chief Operating Officer in 2019 before her recent appointment as Chief Executive Officer, making her the first ever non-family member to lead the Marshall business.

Having started her career in finance, Kathy moved into HR, projects and operations. She has held a wide range of senior roles across a number of varied sectors including oil, construction, electronics, transportation, aerospace, defence and security.

Immediately prior to joining Marshall, Kathy spent 14 years with Thales Group where she led several large global business integration and transformation programmes.

Committee membership

- None

Current external appointments

- None

Key former appointments

- None

Julie Baddeley

Senior Independent
Non-Executive Director
Appointed: 2016

Skills and experience

Julie is one of the UK's most experienced women directors, having served in both an executive and non-executive capacity on the boards of leading public companies, as well as major public sector organisations, and across a range of sectors including consumer, retail, industrial, financial and professional services. She has significant remuneration committee experience and an independent focus on leadership, change management, governance and talent.

Committee membership

- R(C) S(C) N

Current external appointments

- Non-executive director of TI Fluid Systems plc
- Non-executive director of Ebiquity plc
- Chair of Chapter Zero, the Directors' Climate Forum

Key former appointments

- Chairman of Harvey Nash plc
- Non-executive director of Greggs plc
- Non-executive director of Camelot Group plc
- Non-executive director of BOC Group plc
- Non-executive director of Yorkshire Building Society
- Non-executive director of Chrysalis VCT plc

Key:
A – Audit Committee
N – Nomination Committee
R – Remuneration Committee
S – Sustainability Committee
(C) – Committee Chair

James Buxton

DL FRICS
Non-Executive Director
Appointed: 2014

Skills and experience
With over 40 years of experience, James is a well-recognised figure in the national property market, having advised landowners, developers and institutions on all aspects of property development and promotion. The depth and breadth of his knowledge and advice has been key in progressing the Group's major property developments in Cambridge. He was appointed a Deputy Lieutenant of Cambridgeshire in 2006.

Committee membership
- N S

Current external appointments
- Chairman of Pigeon Investment Management
- Trustee for a number of landowning families

Key former appointments
- Senior partner, Bidwells LLP
- Chairman of the CBI in the East of England
- Advisory Board of the Department of Land Economy at Cambridge University
- Non-executive director of Strutt & Parker Farms Ltd

Roger Hardy

Independent
Non-Executive Director
Appointed: 2022

Skills and experience
Roger is an engineer with extensive leadership experience in the defence industry across all three services: Air Force, Army and Navy. His executive career has been predominantly with Babcock International in a number of senior roles. He brings to the Board a focus of safety, stakeholder engagement, programme and project delivery, international business winning, strong operational performance and team building.

Committee membership
- A N R S

Current external appointments
- None

Key former appointments
- Chief executive, Aviation – Babcock
- Chief executive, Defence and Security – Babcock
- Managing director, Cavendish Nuclear
- Managing director, Submarines – Babcock

Justin Read

Independent
Non-Executive Director
Appointed: 2021

Skills and experience
Justin brings significant financial and executive management experience from his career working in a number of different industry sectors and across multiple jurisdictions. These include building materials/construction, property, and corporate finance. Key past roles include group finance director at both Segro plc and Speedy Hire plc, as well as head of corporate development and managing director Continental Europe at Hanson plc.

Committee membership
- A(C) N R

Current external appointments
- Senior independant non-executive director of Grainger plc
- Non-executive director of Ibstock plc
- Non-executive director of Affinity Water Ltd

Key former appointments
- Group finance director, Segro plc
- Group finance director, Speedy Hire plc
- Managing director, Continental Europe Hanson plc

The Board continued

Doug Baxter

FCMA
Chief Financial Officer
Appointed: 2022

Skills and experience

Doug joins the Board with over 30 years' experience operating at board level within a number of different industries. Doug has held finance director, group finance director, managing director and CEO roles with various organisations including ABF, Marconi, BAE Systems, Finmeccanica and Survitec. More recently, he has acted as independent consultant and industry adviser to private equity companies.

He brings with him a strong track record of turning around and growing businesses, particularly within aerospace and defence, and with a large international customer base, and has led numerous cross-border acquisitions.

Committee membership

- None

Current external appointments

- None

Key former appointments

- Chief Executive Officer 3SI Ltd
- Chief executive officer of Survitec Group
- Senior Vice President Leonardo Ltd
- Managing director at BAE Systems Avionics
- Group finance director at GEC Marconi

Sarah Moynihan

FCA CRAeS
Group Company Secretary
Appointed: 2012

Skills and experience

Sarah qualified as a chartered accountant with EY, specialising in mergers and acquisitions. She joined the Group as financial controller and was appointed Company Secretary in 2012. She provides regulatory, legal, governance and compliance advice to the Board and its committees, as well as advising and supporting shareholders. She is responsible for the co-ordination and implementation of the Group's sustainability and ESG strategies, chairs the pension governance committee and is a trustee of the Group's pension scheme.

Committee membership

- A N R S

Current external appointments

- Independent Trustee of the Royal Aeronautical Society

Key former appointments

- None

Key:

A – Audit Committee

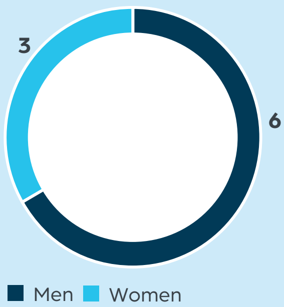
N – Nomination Committee

R – Remuneration Committee

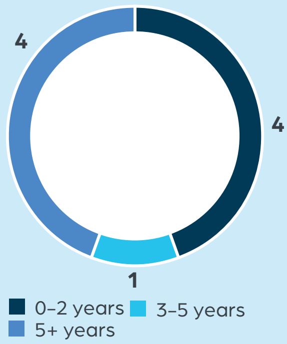
S – Sustainability Committee

(C) – Committee Chair

Board diversity



Board tenure



Corporate governance

Organisational structure

Governance framework

Throughout the 15 months ended 31 March 2022, the Group and its subsidiaries continued to operate under high standards of corporate governance, which underpins the importance of the role of statutory directors, at both Company and subsidiary level. The Board has overall responsibility for the governance framework within which the Group operates.

The structure of the Board

Chair

The Chair, working with the Group Company Secretary, sets the agenda for Board meetings and encourages an open and constructive debate. Jonathan Flint was appointed Chair Designate in February 2022 and succeeded Alex Dorrian on 30 June 2022.

Senior Independent Non-Executive Director

Julie Baddeley continues to take on the responsibility of the Senior Independent Non-Executive Director, who acts as a sounding board for the Chair and as an intermediary for other Directors. She is responsible for holding annual meetings with the Non-Executive Directors, without the Chair present, to appraise his performance, and acts as the Chair's deputy in his absence.

Non-Executive Directors

The Non-Executive Directors bring independent judgement on key issues affecting the Group and its business operations, including strategy, performance, resources (including key appointments), and standards of conduct. They provide constructive challenges to management and develop proposals on strategy. The Board considers that three of the five Non-Executive Directors were completely independent of the Group's executive management and free from any business or other relationships that could materially interfere with the exercise of their independent judgement throughout the last financial period. Their independence of character and integrity, together with the experience and skills they bring to their duties, prevent any individual or small group from dominating the decision-making of the Board.

Designated Employee Engagement Non-Executive Director

Jonathan Flint continues to take on the responsibility of Designated Employee Engagement Non-Executive Director. His role is to understand the views of the workforce and identify any areas of concern, to communicate the views of the workforce to the Board and to ensure the Board considers the workforce in all decisions.

Group Company Secretary

The Group Company Secretary is responsible for ensuring Board procedures are complied with, and that Directors are sufficiently supplied with information. She is responsible for ensuring compliance with relevant procedures, rules and regulations. She is also the day-to-day contact for shareholders.

More detail on changes to the Board's composition during the 15-month period can be found in the Nomination Committee Report on pages 62-63.

Governance principles and applications

Although the Group is not subject to the UK Corporate Governance Code (the "Code"), the Board has considered the Code and related guidelines when developing the appropriate governance structure for the Group and its values. The Group's governance framework is driven through the full application of the Wates Principles and, where practical, its application of the Code to provide for a robust corporate governance framework. This is defined as the Marshall Group Corporate Governance Framework.

This framework encapsulates the Group's approach to governance, with a range of robust processes, information and methods to ensure that stakeholder and employee concerns are considered at Board level, and for the long-term success of the organisation. The Group is a purpose-led organisation and operates with a focus on long-term value for the business, its employees, shareholders and the local communities, among other stakeholders.

The role of the Board

The Board is responsible for the governance framework the Group operates in and is collectively responsible to the Company's shareholders for the direction, promotion and oversight of the Company to ensure its long-term success. It provides leadership for the Group, devises strategy, ensures the necessary resources are available, and sets controls and standards. In doing so, the Directors comply with their duties under Section 172 of the Companies Act 2006. Other core activities include defining the Group's appetite for risk, obtaining assurance that material risks to the Group are identified, and ensuring that appropriate systems of risk management and internal control exist to mitigate such risks. The Board is responsible for ensuring the effectiveness of, and reporting on, the system of corporate governance. Additionally, the Board monitors performance and approves budgets, major acquisitions, projects and contracts.

The Schedule of Matters reserved for the Board

The Schedule of Matters reserved for the Board includes: strategy; structure and capital; financial reporting and controls; internal controls and risk management; authorisation and approval levels; Board membership; delegation of authority and policy development; corporate governance matters; acquisitions, disposals, projects and contracts; Section 172 protocol; and dividend policy.

Division of responsibilities

The Board delegates certain powers and responsibilities to the committees, and these committees regularly report back to the Board. These committees provide oversight on the matters contained in their terms of references, which are regularly reviewed and updated. The Board is also responsible for setting the levels of delegated authority, while retaining overall responsibility for the governance of the Group.

Board focus and activities during the period

The Board's activities are designed to assist them in the objective of supporting and advising executive management on the delivery of the Group's strategy within a framework of effective corporate governance, to ensure the long-term success of the Group for stakeholders, and to create shareholder value. The Board considers the meetings an effective mechanism for discharging its duties under Section 172 of the Companies Act 2006.

The Board's actions throughout the period reflected the strategic goals. The Board regularly discussed the impact of, and recovery from, the pandemic, governance, risk management and the Group's financial performance, focusing on stakeholders and ensuring that the culture is aligned with its purpose, values and strategy. The Board made a number of principal decisions during the period, which are set out on page 36.

Group Board

Attendance and contribution

Attendance at Board meetings is important so assurances can be provided to the Company's shareholders that expected commitments are being met by individual Board members. It is the responsibility of the Directors to make themselves available to attend meetings, unless there are special circumstances preventing them from doing so. Furthermore, Directors are expected to plan in advance and attend all meetings fully prepared and ready to contribute to discussions and decision-making, so that the varied Board experiences are heard and challenged, in pursuit of the Company's best interests.

The Board, as part of their engagement with the shareholders and wider stakeholder groups, has approved the recording of attendance of Board members at Board and general meetings to use as a metric in the report and accounts. The contributions of Directors in Board meetings to the furtherance of the Company's strategy and best interests is recorded in Board minutes taken by the Company Secretary, and this information feeds into the Board evaluation process devised by the Board.

The expectations, policies and processes set out for meeting attendance and contribution demonstrate the Board's awareness of and commitment to their responsibilities as Directors of the Company regarding meetings.

The table below sets out details of Directors that have served during the 15-month period, and includes details of each member's attendance at the Board meetings held in the period. There are separate attendance statements for the Nomination, Remuneration, Sustainability and Audit and Risk Committees on pages 62, 64, 67 and 68 respectively.

Board member	Attendance
Alex Dorrian	11/11
James Buxton	11/11
Julie Baddeley	11/11
Sean Cummins	11/11
Jonathan Flint	11/11
Kathy Jenkins[1]	7/7
Charlie Marshall	8/11
Justin Read[2]	5/5
Philip Yea[3]	6/6

1 Appointed July 2021.
2 Appointed October 2021.
3 Resigned September 2021.

Corporate governance continued

The six Wates Principles, and how they are applied by the Board, are set out below:

Principle 1 – Purpose and leadership

Purpose and leadership is the first of the Wates Principles:

> **"An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose."**

The Board develops and formally approves the Company's purpose and strategy, alongside transparent disclosure. This supports the Board and Group subsidiaries in their understanding of expected behaviours and practises throughout the organisation, and influences the Group culture and integration of the different functions and operations throughout the business, as well as the Group's long-term value creation. Policies and protocols are in place to support the execution of the Group's purpose and values across the organisation, which drives overall engagement with employees, shareholders and wider stakeholders across the businesses.

Purpose – building extraordinary futures

Marshall is a unique private company committed to making a difference through providing support and services to its growing customer base; support that cannot be provided as effectively by others. At its core, Marshall is determined to develop and deliver long-term value through building extraordinary futures for customers, communities, people and the planet.

Strategy

Despite a continued challenging business environment, the overarching strategic objective of Marshall Group remains certain: to ensure sustainable growth in capital value, which preserves and enhances the value of shareholdings over the long term. The strategic enablers to this include: growing profitable revenue, future-proofing our businesses, unlocking value within each business and ensuring we deliver an extraordinary future that stands up alongside our proud 113-year history.

Ethics and policy

In line with the Group's culture and strategic objectives, the Group has several policies and procedures to support the Directors, employees and Group to continue to deliver its purpose.

Ethics

The Group has complementary policies, which combine to demonstrate its ethical principles. In line with the Group's culture of fair business practise and good governance, the Board is responsible for the approval of the Group's Code of Business Ethics. This applies to all operating companies and employees within the Group, and helps them to act and operate appropriately within the confines of legislation and the Group's ethical code of conduct.

Anti-Bribery Policy

The Board is responsible for the approval of the Group's Anti-Bribery Policy, which sets out the Group's position and response on the requirements set out in the Bribery Act 2010. The policy details the principles and procedures applicable to all companies and employees within the Group regarding the prevention of bribery and corruption.

Whistleblowing Policy

The Board is responsible for the approval of the Group's Whistleblowing Policy, which sets out the Group's position and response to whistleblowing in line with best standards and practice. The policy details the scope of application, principles that underpin it, responsibilities of those it applies to, and outcomes of any whistleblowing claim made in good faith. Commensurate with best practice, and to ensure that the Group works to the highest ethical standards, the Group operates an independent whistleblowing procedure to allow staff to confidentially raise any concerns about business conduct. The Group has an independent third-party whistleblowing hotline and website, allowing employees a way to report concerns to an unconnected party.

Modern Slavery Policy

The Board is responsible for the approval of the Group's Modern Slavery Policy, which sets out the Group's position and response on the requirements set out in the Modern Slavery Act 2015. The policy entrenches the Group's zero-tolerance approach to modern slavery and emphasises the Group's commitment to acting ethically, transparently and with integrity, throughout the Group's operating companies and supply chains, in accordance with the Modern Slavery Act 2015. The Group has published its Slavery and Human Trafficking Statement on its website.

Diversity, inclusion, equality and human rights policy

The Board is responsible for the approval of the Group's Diversity, Inclusion, Equality and Human Rights Policy, which sets out the Group's approach to compliance with the requirements of the Equality Act 2010. This policy is applicable to all subsidiaries of the Group and demonstrates the Board's commitment to ensuring equality of opportunity for all employees through the promotion of diversity and inclusion of all demographic factors. This policy also strives to eliminate discrimination and harassment in the workplace and to prevent any potential breaches of human rights as set out in the Human Rights Act 1998.

Board diversity

The Board is, by necessity, a diverse group of individuals, with a variety of professional qualifications and experience across many sectors and industries. This level of diversity is needed to ensure decisions made at this level have the right input and challenge. It is important for the Board to understand and influence the culture around the business, which cannot be achieved solely from inside the boardroom.

Tax policy

The policy that governs the Group's management of its tax affairs is fully aligned with the Group's wider commercial, reputational and business practices, and is consistent with the Group's values and commitment to good corporate responsibility. The underlying principles are also fully aligned with the Confederation of British Industry's seven tax principles, and include:

- to manage the Group's tax affairs responsibly and transparently;
- to not use contrived or artificial structures to reduce tax liabilities;
- to take advantage of the reliefs and incentives that exist, but respect the intention and law in conformity with the Group's values;
- to conduct its affairs to maintains a low-risk tax rating – a classification first awarded to the Group by HMRC in 2009;
- to conduct business safely, tax is considered in significant business developments or acquisitions so to fully assess any potential tax consequences of actions in advance and reduce risk;
- where required, seek external advice from reputable professional firms; and
- skilled in-house resources so the Group can adhere to these principles without exception.

Corporate governance continued

Principle 2 – Board composition

Board composition is the second of the Wates Principles:

> "Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company."

Board membership

Information about Board members and their membership of Committees is on pages 50 and 52. The Board operates through clear protocols and governance processes, which allows for independent challenge and transparency in its decision-making, and is supported through the executive management team and its internal executive committees.

The Board considers the overall size and composition to be appropriate, considering the experience and skills that individual Board members bring to their duties. They can operate at a high level independently of each other and work together as a team. The Board considers that the skills and experience of its individual members, particularly in the areas of aerospace and defence, property, general business skills, corporate finance, governance and risk management, have provided support and challenge to the Chair, Chief Executive Officer and Chief Financial Officer, and the executive management team during the period.

At the date of this report, the Board comprises the Chair (a non-independent Non-Executive Director), Chief Executive Officer, three independent and one non-independent Non-Executive Directors, Chief Financial Officer and Group Company Secretary.

Independence

The Board is aware of the other commitments of its Directors and is satisfied that these do not conflict with their duties as Directors of the Group. The Directors are responsible for notifying the Group Company Secretary if they become aware of actual or potential conflict situations or a change in circumstance relating to an existing authorisation.

Board evaluation

Accountability is driven through routine evaluations of the Board. The Board evaluation document details the internal and external board evaluations that have been conducted, as well as setting out a timetable for future board evaluations. The outcomes of each completed board evaluation are summarised on a collective and individual basis and are used to inform the succession plans for the Board and committees. It also includes the selection process for an external board evaluator to provide assurance that it is independent and can provide a satisfactory service to the Board. The board evaluation process supports the application of principle two of Wates by ensuring the Board is composed of individuals who can contribute effectively and valuably to the Company's strategy and long-term goals. The Board undertook an external evaluation in May 2022 and is in the process of implementing its recommendations.

Induction and training programme

The induction programme for new Executive and Non-Executive Directors has been designed to cover the core competencies required to support effective contributions, while introducing elements of tailoring to enhance the overall learning experience for each new Director. It provides an induction into Company culture, relationships and Board dynamics to give broader coverage of the soft elements required to contribute successfully. The induction programme supports principle two of the Wates Principles by providing new Directors with the tools, resources and one-to-one engagement with key Board members and stakeholders, so they develop rapidly and effectively, and that their contributions are effective and guided through knowledge of the Company's purpose, vision and strategy.

The Board is kept up to date on legal, regulatory and governance matters through regular papers from the Group Company Secretary and by presentations from internal and external advisers. 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 Group Company Secretary, who is responsible for ensuring compliance with relevant procedures, rules and regulations.

Terms and conditions for Non-Executive Directors

The terms and conditions for the appointment of Non-Executive Directors provide a detailed overview of the key governance considerations that arise when appointing Non-Executive Directors. The terms and conditions support the application of principle two of Wates by ensuring that newly appointed Directors can contribute effectively by understanding time commitments, the impact of over-boarding, independence, liability and insurance, and the general role and responsibilities of directors of a limited liability company.

Principle 3 – Director responsibilities

Director responsibilities is the third of the Wates Principles:

> **"The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge."**

Operation of the Board

The Board has an annual calendar of meetings and operates through a comprehensive set of processes and themes to be considered by the Board and Committees during this cycle. These include the purpose and vision of the Group, level of delegated authorities, key strategic issues and decisions, resource levels and controls and standards therein, Group's business ethics, risk management, and health, safety and environmental processes. The timetable is set in the prior period to ensure that regular meetings are scheduled, and that other meetings are held, as required, for the Board and Committees to discharge their duties sufficiently. Board papers are circulated electronically via a secure system to ensure swift communication. If a Director cannot attend a meeting, they still receive and read the documents for consideration, and can relay their comments before the meeting.

There are robust internal processes to ensure that the Board receives accurate, regular and timely information about the performance of the business, such as financial information, review of actual performance against budget and forecast, and strategy and business updates. The provision of accurate and relevant management information and reports to the Board is essential for effective decision-making.

The standing agenda items considered at every meeting include:

- any potential conflicts of interest and, if necessary, disclosure of the required authorisations/advance declarations;
- reports from the Chief Executive Officer on strategic and business developments, together with relevant operational updates, health and safety management, employee engagement and key actions taken since the previous Board meeting;
- reports from the Chief Financial Officer, including risk management, commentary and highlights from the latest available management accounts and, where relevant, budgets and forecasts;
- reports from the Group Company Secretary, including sustainability and other ESG matters, interactions with shareholders, and any key legal or regulatory issues that affect the Group; and
- reports from the Group's nominee Director on the Board of Marshall Motor Holdings up until its disposal.

The Board devotes much of its time to strategy and business planning issues that have an impact on the Group. The Board also met virtually in October 2021 for a two-day strategy and business planning meeting.

To support the application of this principle, the Board has ensured that it has a clear understanding of its powers conferred in the Company's Articles of Association and that Directors are aware of their responsibility to fulfil the Directors' duties prescribed by the Companies Act 2006. In addition, the Board's Terms of Reference enshrine the basis that the Board will keep shareholders informed and, where appropriate, seek ordinary shareholder consent for certain major transactions or changes in ownership of major assets. All Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and re-election thereafter by rotation.

All Board members receive a formal induction and have access to ongoing training and development to support them with the fulfilment of their responsibilities as Directors of the Company. The Board has set expectations regarding attendance, contribution and business ethics to support the Company's business strategy and corporate governance objectives.

Directors' duties

Directors' duties, and the understanding and application of them, is important to the Board, the Company's long-term business strategy, and its ongoing financial performance and economic viability. The Board, as one and as individuals, is well versed in understanding their duties and the potential risks and liabilities that may arise where standards fall below what is required by law. The expectations set by the Board are greater than those required by law, to mitigate further potential financial, operational, compliance and reputational risks that may materialise following irresponsible acts or omissions. Furthermore, the Board has access to counsel from the Group Company Secretary and third-party advisers.

Principle 4 – Opportunity and risk

Opportunity and risk is the fourth of the Wates Principles:

> "A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks."

Opportunity

Part of the Group's purpose and a key focus for the Board is creating long-term value by continuing to invest in areas of sustainable growth and opportunity, while seeking to generate and preserve value for the business and its stakeholders. The Board's principal decisions should add to the long-term success of the Group while creating and preserving value. Some of the key areas of focus on opportunity include:

- Board review of all major projects' bids and tenders, with reference to the opportunities and risks they bring;
- regular programme reviews using a SOFT analysis system (strengths, opportunities, failures and threats);
- establishment of Futureworx to focus on creating technology and enterprise solutions for emerging global trends;
- the updated sustainability strategy, roadmap and ambition, as set out on pages 39 to 47, is an area of great opportunity as the aerospace and property development industries consider their actions to target net zero carbon;
- the transformational development, Cambridge East; and
- further investment opportunities and the benefits from recent cost rationalisations.

Review of principal risks

The principal strategic risks are set on pages 31 to 35, with the most significant risks being reviewed directly by the Board.

The impact of Covid-19 had wide-ranging implications for the Group, its operating businesses and stakeholders. At the start of 2021, almost half the workforce was successfully working remotely. Since then, there has been a gradual increase in on-site presence. For employees on site, working practices have been updated to ensure they appropriately reflect the level of risk at any time. Whilst the level of disruption caused by Covid-19 has significantly reduced, employee absences and supply chain disruption continues.

Following the 2021 Integrated Review Command Paper and the planned accelerated retirement date for the UK C-130 fleet, a contract price adjustment was agreed in May 2022 with the customer, reducing the risk.

Following a Covid-19-induced reset of the Group's banking covenants in 2020, the original covenant tests, resumed in March 2021. The Group remained within covenants throughout the period and, following the receipt in May 2022 of circa £200m from the sale of MMH, has no net external borrowings.

Internal control

The Board has established an appropriate control environment. The internal control system is designed to facilitate the identification, assessment and management of risk, and the protection of shareholders' investments and Group's assets. The system is designed to manage rather than eliminate the risk of assets being unprotected, inaccuracies in financial reporting and the failure to achieve business objectives. Internal controls only provide reasonable and not absolute assurance against material misstatement or loss. The Board delegates responsibility for reviewing and monitoring the Group's internal controls to the Audit and Risk Committee, and the key features of the Group's internal control systems are set out in the Audit and Risk Committee Report on pages 68 to 70.

Principle 5 – Remuneration

Remuneration is the fifth principle of Wates:

> "A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company."

Remuneration Policy

The Group's Remuneration Policy is set and monitored by the Remuneration Committee, with clear objectives to incentivise management based on the long-term success of the Group's strategic goals and business plans. Succession planning and talent retention are key focus areas for the Group, and remuneration plays an integral role in the attraction and retention of the workforce, which enables the Group to meet its goals in delivering excellent service to its stakeholders.

The policy is focused on the attraction, motivation and retention of high-calibre executives, who have a track record of achievement in high performing businesses, and demonstrate behaviours in accordance with Group values, and can deliver the Group's strategic objectives consistently to its purpose and interests of shareholders. Executive Remuneration Policy is set out on page 66 and is consistent with the requirements set out in principle five of Wates.

Reporting on remuneration

Reporting on remuneration is a responsibility of the Remuneration Committee and is required to provide an annual, comprehensive form of assurance to the Company's members that remuneration levels for the various Board members have been reviewed and agreed. The Remuneration Committee Report is set out on pages 64 to 66.

Principle 6 – Stakeholders

Stakeholder engagement is the sixth principle of Wates:

> **"Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions."**

The Group defines its stakeholders as employees, customers, suppliers, shareholders and local communities. As detailed in the Group Corporate Governance Framework, the Board is ultimately responsible for delivering the Group's purpose and, in doing so, the Directors consider the various stakeholder interests as necessary. To ensure the Group can continue to deliver its purpose, the Group supports and retains its highly skilled workforce as it views these members as essential for its success. The Board Engagement with Stakeholders Report can be found on pages 37 to 38.

Responsibility for engagement

The Board has overall responsibility for engagement; in some circumstances, this is delegated to various Committees or to individuals. Engagement on key issues is communicated to the Board and additional engagement takes place as part of the Group's principal decision-making process. Feedback from engagement is reported to the Board and various Committees, and the Board is regularly appraised of various stakeholder matters. Reporting on engagement is undertaken in the Group's interim and final Reports and Accounts, as well as at Board and Committee meetings.

Section 172 protocol

All Directors of the Group have a duty to promote the success of the Company. This is set out in Section 172 of the Companies Act 2006. The Board has adopted a protocol that provides detailed guidance for Directors and management on the application and execution of their Section 172 duties. The protocol also sets out the Board's process for adhering to the duty to act in the best interests of the Company. This serves as a point of reference for the Board when making collective decisions that have the potential to impact the Company and Group.

Nomination Committee Report

During the 15-month period, the Committee's principal focus has been to lead the Board appointment process, satisfy itself that plans are established for an orderly succession to the Board and management team, and oversee the development of a diverse pipeline of succession for the Group.

This report sets out the governance, roles and responsibilities of the Committee, together with the key matters considered by the Committee since the last report to shareholders.

Governance, roles and responsibilities

Throughout the 15-month period, the members of the Committee continued to be the Chair and all Non-Executive Directors.

Committee attendance record

Alex Dorrian[1]	3/7
Julie Baddeley	7/7
James Buxton	7/7
Jonathan Flint[2]	5/7
Charlie Marshall[3]	6/6
Justin Read[3]	5/5
Philip Yea[4]	2/2

1 Four meetings were to discuss Alex's successor as Chair and, in line with the governance structure, Alex did not attend these meetings.
2 Two meetings were to discuss Jonathan's appointment as Chair and, in line with the governance structure, Jonathan did not attend these meetings.
3 Resigned Febrary 2022.
4 Appointed October 2021.
5 Resigned September 2021.

As set out in its Terms of Reference, the key responsibilities of the Committee include:

- overseeing the development of a diverse succession pipeline (across the immediate, medium and long term), considering the strategic skills and experience required on the Board in the future;
- maintaining a skills matrix for the Board and its Committees, which contains the key skills, attributes and qualities that each Director has for each of their appointments;
- regularly evaluating the composition of the Board through the balance of skills, knowledge, experience and diversity; and
- maintaining the strategic framework for Board succession and replacement, and leading the process for the appointment and reappointment of both Executive and Non-Executive Directors.

Key matters considered in the 15-month period

The key matters considered during the 15-month period are detailed below.

The Committee met seven times in the 15-month period to evaluate the composition and skills of the Board and to consider succession for each Director. Following the internal Board evaluation, and recognising the number and complexity of issues the business faced over the medium term, the Committee recognised the need for a timely appointment of a Group Chief Executive. After evaluating the relevant experience and transferable skills of Kathy Jenkins, who had been Chief Operating Officer since 1 October 2019, the Committee recommended her appointment as Group Chief Executive. Following a unanimous approval, Kathy was appointed to the Board with effect from 5 July 2021. Alex Dorrian reverted from Executive Chairman to Chairman at the same time.

Following the decision by Philip Yea to step down from the Board at the end of September, the Committee began its search for a new chair of the Audit and Risk Committee. A number of external candidates were long listed, short listed and interviewed, with the Committee recommending the appointment of Justin Read. Justin has spent the majority of his career working in building materials/ construction, property and corporate finance, and brings a valuable dimension and expertise to the Board. Following a unanimous approval, Justin was appointed to the Board with effect from 1 October 2021.

After six years on the Board, Alex announced his intention at the 2021 AGM to step down as Chairman by summer 2022. The process to select and appoint the next Chair, which started immediately after the 2021 AGM, was led by Julie Baddeley. Independent external consultants were appointed to identify candidates and the Board engaged closely with the majority shareholders and other shareholder representatives on interviewing candidates and selection. After several external candidates were interviewed, the unanimous decision was to appoint Jonathan Flint as Chair Designate in February 2022. He took over formally as Chair of the Board and as Chair of the Nomination Committee on 30 June 2022.

Charlie Marshall, as Non-Executive Director and as a member of the Marshall family, played a key role in interviewing and selecting the right Chair to succeed Alex. Once Jonathan Flint's appointment as Chair Designate was announced, which Charlie fully supported, he felt it was the appropriate time to step back and focus on his other commitments and, therefore, resigned from the Board on 18 February 2022.

Sean Cummins advised the Board in late 2021 of his intention to retire in 2022. To ensure a smooth transition, Doug Baxter joined the business immediately and was appointed to the Board as Chief Financial Officer Designate on 17 February 2022. Doug brings a wealth of industry experience to his role at Marshall, having spent over 30 years operating at board level across a range of different organisations.

Following the appointment of Jonathan as Chair Designate, the Committee then focused on finding a successor Non-Executive Director with significant aerospace and defence experience and strategic thinking. Again, independent external consultants were appointed to help identify appropriate candidates. After several external candidates were interviewed, the unanimous decision was to appoint Roger Hardy. Roger is an engineer with extensive leadership experience in the defence industry across all three services: Air Force, Army and Navy. Following a unanimous approval, Roger was appointed to the Board with effect from 1 August 2022.

Jonathan Flint CBE
Nomination Committee Chair

25 November 2022

Remuneration Committee Report

During the 15-month period, the Committee's principal focus has been to ensure that the Remuneration Policy is one that will secure, motivate and retain a senior leadership team that can deliver the Group's strategic ambitions in a manner consistent with its purpose, values and the interests of all its stakeholders, as well as against a background of uncertainty resulting from the global economic situation.

This report sets out the governance, roles and responsibilities of the Committee, together with the key matters considered by the Committee since the last report to shareholders.

Governance, roles and responsibilities

Throughout the 15-month period, all members of the Committee were independent Non-Executive Directors.

Committee attendance record

Julie Baddeley	7/7
Jonathan Flint	7/7
Philip Yea[1]	3/3
Justin Read[2]	4/4

1 Resigned from Remuneration Committee effective 30 September 2021.

2 Member of Remuneration Committee from 1 October 2021.

The Chair, Chief Executive Officer and the Group Company Secretary attended each meeting at the invitation of the Committee Chairman. The Chief People Officer and Head of Reward attended some meetings during the period at the invitation of the Committee Chairman. The Committee also met separately without any executive management present.

The Committee has unrestricted access to Company documents and information, as well as to employees of the Company and may take independent professional advice on any matters covered by its Terms of Reference at the Company's expense. During the period, the Committee took advice from remuneration specialists at Deloitte and benchmark remuneration data from Korn Ferry. The Committee Chairman reports the outcome of meetings to the Board at the meeting following a Committee meeting.

As set out in its Terms of Reference, the Committee's key responsibilities include:

- determining and agreeing with the Board the framework for the remuneration of the Chief Executive Officer, Executive Directors, Group Company Secretary and other members of executive management it is designated to consider;
- based on benchmarks and performance, determining the total individual remuneration package of each Executive Director and specified senior executives including bonuses, incentive payments and any other elements of remuneration;
- reviewing the ongoing appropriateness, relevance and efficiency of Remuneration Policy and practice;
- reviewing the design of performance-related pay schemes and Long-Term Incentive Plans; and
- reviewing and approving the total annual payments made under such schemes.

Key matters considered in the 15-month period

The key matters considered during the year encompass the responsibilities set out in the Terms of Reference and are set out below.

The Remuneration Policy objectives, conditions and opportunity for the Executive Directors for salary, annual bonus, long-term incentive plan ('LTIP'), pension and other benefits is set out below. The Chair receives a base salary, does not participate in any bonus or incentive scheme and does not have an entitlement to any pension benefit.

A number of key decisions relating were made:

- In the first quarter of 2021, the Committee agreed to apply base salary increases of 1.2%, effective 1 January 2021, in line with the pay review settlement agreed for the wider workforce.
- In April 2021, the Committee agreed the remuneration package on the appointment of the Chief Executive Officer. A full benchmarking exercise of total remuneration was conducted using Korn Ferry data, which resulted in the total remuneration for the CEO being lower when compared to previous incumbents. Following the conclusion of the 2020 audit, the Committee agreed the payment of the 2020 annual bonus.
- Following the conclusion of the 2020 audit, the Committee agreed the 2018-20 LTIP commitments.
- In the first quarter of 2021, the Committee agreed the 2021 Bonus structure, which was in line with the scheme for the previous year. The table overleaf details the maximum bonus opportunity and the construct of the scheme. The Bonus scheme for 2021 has not triggered payments on the financial targets. In December 2021, the Committee approved payments based on the rigorous assessment of the personal objective element (up to 25% of the total available bonus in that year). These payments were approved to be made in April 2022.
- Following a recommendation from the Chief Executive Officer, the Committee agreed to harmonise the bonus arrangements for the Directors and senior executives – in most cases, reducing the quantum available, and to simplify the targets. The bonuses for 2022 will be 75% based on profit on MCH core operations excluding exceptionals with a net operating cash flow underpin and 25% personal measures, which are agreed in advance with the Committee.

- The 2019–21 LTIP scheme has triggered at the maximum level of payment for the financial measures based on Group targets. The targets were set in 2019 based on the financial objectives agreed at that point, which included the performance of MMH. As detailed below, MMH performance has since been removed from subsequent LTIP grants.
- Due to the uncertainty in 2020 as a result of the impact of Covid–19, the 2020–22 LTIP grant was delayed and implemented at the same time as the 2021–23 LTIP grant. The LTIP structure has been reviewed during the year, removing any targets relating to MMH, and also removing the Chairman's Discretion element and this has been applied to the 2020–22 and the 2022 LTIP grant.
- The maximum amount to be earned under the 2020–22 and 2021–23 LTIP following an annual grant has been reduced from 125% to 100% of salary for the Chief Executive Officer.
- In the first quarter of 2022, the Committee agreed to apply base salary increases of 3%, effective 1 April 2022, in line with the pay review settlement agreed for the wider workforce.
- In the first quarter of the 2022, the Committee agreed the 2022 Bonus structure as detailed above.
- As a result of carefully reviewing the previous LTIP awards, the 2022–24 LTIP is based on profit and operating cash flow, and includes stretch targets to drive ROCE and ESG performance. In addition, the rules of the 2022 –24 LTIP have been revised and include a malus and clawback clause.

During the period, the Committee continued to have oversight through to completion of the Alignment project to modernise the employee value proposition while simplifying and ensuring consistency of employment terms. The Committee also reviewed and agreed the LTIP participants including the next level of executive management.

Julie Baddeley
Remuneration Committee Chairman

25 November 2022

Remuneration Committee Report continued

Base salary

Objectives	Operational and performance conditions	Opportunity
A competitive market salary commensurate with responsibility and experience.	Reviewed at 1 April each year, taking into account increases awarded across the Group as a whole, personal contribution and performance, market changes and any change in role or responsibility.	Increases are generally expected to be in line with inflation and comparative increases in the business and competitor companies.

Annual bonus

Objectives	Operational and performance conditions	Opportunity
To motivate and reward annual performance specifically with respect to the business and overall profitability.	Maximum 100% of salary, which is only available for exceptional performance. Paid in cash after the Group Report and Accounts have been signed.	75% of salary, for stretch financial targets, with on-target achievement realising 50%, and a threshold level to be reached for 25%. Up to 25% of salary based on achievement of specified personal objectives bringing the total opportunity to 100%.

Long-Term Incentive Plan ('LTIP')

Objectives	Operational and performance conditions	Opportunity
To focus on longer-term performance and growth, and align Executive Director interests with those of shareholders.	Awards are made based on a three-year performance period. Performance is against profitability, cash generation and adherence to Group objectives and values.	Up to 100% of salary can be achieved in respect of a financial year. Awards are calculated at the end of the three-year period. There is then a further two-year holding period until cash is paid out. This is in accordance with recent and best industry practice.

Pension

Objectives	Operational and performance conditions	Opportunity
To provide competitive levels of retirement benefit.	Membership of Company pension scheme or salary supplement or cash deferral scheme.	Typically a defined contribution arrangement of up to 9% employer contribution, with some variation of contributions based on time employed.

Other benefits

Objectives	Operational and performance conditions	Opportunity
To provide competitive levels of employment benefits.	Benefits include: ▪ car and fuel benefit or equivalent; ▪ private medical insurance; ▪ income protection insurance; and ▪ life assurance of four times cover.	Cost of providing a car benefit, life assurance, private medical insurance and income protection insurance, which are reviewed annually to ensure they are competitive.

Remuneration Policy for Non-Executive Directors

Objectives	Operational and performance conditions	Opportunity
To provide fair remuneration, reflecting the time commitment and responsibilities of the roles.	Non-Executive Directors receive a fixed fee and do not participate in any incentive schemes or receive any other benefits. Fee levels are reviewed annually. Additional fees are payable for acting as Senior Independent Director or as Chairman of any of the Board's Committees (excluding the Nomination Committee).	Account is taken of increases awarded across the Group as a whole, fee levels at organisations of a similar size, complexity and type, changes in complexity, and responsibility or time commitment required for the role.

Sustainability Committee Report

This is the first report for the Sustainability Committee. The Committee was formed during 2021 to ensure the Group conducted business in a sustainable way and to work on the collaborative goal to reduce the negative impacts of climate change, as well as working towards ensuring our requirements for Ambition 2030 are met.

This report sets out the governance, roles and responsibilities of the Committee, together with the key matters considered by the Committee during the period.

Governance, roles and responsibilities

Throughout the period, the Committee membership comprised of Non-Executive Directors.

Committee attendance record

Julie Baddeley (Chair)	5/5
Jonathan Flint	5/5
James Buxton	5/5

The Committee met five times during the 15-month period. The Chief Executive Officer, Group Company Secretary, Head of Sustainability and other relevant people from the business also attended meetings upon invitation, so that the Committee could discharge its duties.

As set out in its Terms of Reference, the key responsibilities of the Committee include:

- reviewing the sustainability risks and opportunities for the business;
- setting strategies and agreeing a management approach;
- reviewing the performance and progress against plans and goals; and
- driving leadership and best practices regarding sustainability.

Key matters considered in the 15-month period

The Committee oversaw the collection and analysis of baseline climate data for each of the businesses, which led to the creation of short-term targets towards the Ambition 2030 goals. In addition, a framework was implemented to ensure strategy is embedded into everyday working, so to create internal alignment towards these targets.

The Committee commissioned an ISO14001 assessment – which covers environmental management and the processes required to ensure a sustainable future for the business – as part of the commitment to develop robust management systems to manage environmental risks and opportunities, identify recommendations for certification structure and implement a plan going forward.

The Committee supported the introduction of sustainability criteria being implemented as part of the capital expenditure approval process to ensure investment decisions could be aligned with Ambition 2030 targets.

The Committee Chairman and the Group Company Secretary regularly reported sustainability progress to the Board, which included the baseline data review, the Ambition 2030 policy and strategy, and the key goals. The Board was supportive, recognising the importance of sustainability for the future success of the Group.

The Committee are developing an energy data dashboard to ensure that data is collected efficiently, meaning that progress can be monitored regularly. Energy performance is currently reviewed every quarter, which has increased visibility of energy consumption so we can identify energy efficiency opportunities.

The Committee also receives updates on climate policy changes and trends, especially climate-related financial disclosures. These are fed through to the leadership team to keep up to date on latest developments. In addition, the Committee receives updates on sustainability plans for property, to understand how the Ambition 2030 targets are being integrated into the planning process for new developments.

Progress against the Ambition 2030 targets will continue to be reviewed regularly, with sustainability-related processes to be rolled out of across all business units through the new internal communication platform 'Beam'.

Alternatives to fossil fuels – particularly biogas and biodiesel – are being analysed to help progression towards the net-zero ambitions. Low carbon cleantech and decarbonising projects have been commissioned, so that the cost of carbon and carbon emissions can be incorporated into the Group strategy.

I look forward to reporting back next year on how we have progressed on our Ambition 2030 targets.

Julie Baddeley
Sustainability Committee Chairman

25 November 2022

Audit and Risk Committee Report

During the 15-month period, the Committee's principal focus has been to ensure the integrity of the Group's financial reporting and audit processes and to maintain sound internal control and risk management processes, by providing independent challenge and oversight.

This report sets out the governance, roles and responsibilities of the Committee, with the key matters considered by the Committee since the last report to shareholders.

Governance, roles and responsibilities

Throughout the 15-month period, all members of the Committee continued to be Non-Executive Directors.

Committee attendance record

Justin Read (Chair from 1 October 2021)	3/3
Philip Yea (Chair/Member until 30 September 2021)	3/3
Jonathan Flint	6/6
Alex Dorrian (Member from 1 October 2021)	3/3
Julie Baddeley (Member until 30 September 2021)	3/3

The Committee met six times during the 15-month period. Chief Executive Officer, Chief Financial Officer, Group Company Secretary, external audit partner, members of the Grant Thornton internal audit team, and other relevant people from the business also attended meetings upon invitation to assist the Committee in discharging its duties. The Committee Chair also met separately with the external audit partner, the internal auditor and the Chief Financial Officer without others being present.

The Committee has unrestricted access to Company documents and information, along with employees of the Company, and the internal and external auditors. The Committee may take independent professional advice on any matters covered by its terms of reference at the Company's expense. The Committee Chair reports the outcome of Committee meetings at Board meetings.

As set out in its terms of reference, the key responsibilities of the Committee include:

- reviewing the effectiveness of the Group's internal controls;
- reviewing the effectiveness of the Group's risk management systems;
- overseeing the rolling cycle of deep dives into the identified principal risks;
- reviewing whistleblowing arrangements;
- reviewing the effectiveness of the internal audit function;
- overseeing the Treasury Committee;
- recommending the appointment of the external auditor;
- reviewing the external and internal audit plan;
- monitoring the integrity of the financial statements, including both the period end and interim reports;
- challenging the accounting policies and methodology, and the clarity of disclosure in the period end and interim reports;
- reviewing going concern; and
- recommending the period end and interim reports to the Board for approval.

Key matters considered in the 15-month period

During the 15-month period, the key matters considered encompass the responsibilities as set out in the Terms of Reference, and in more detail below.

Internal control

The key features of the Group's internal control systems to ensure the accuracy and reliability of financial reporting include clearly defined lines of accountability and delegation of authority, policies and procedures. The Board has delegated responsibility for reviewing the effectiveness of the Group's systems of internal control to the Audit and Risk Committee. This covers all material controls including financial, operational and compliance controls.

The Group's control environment is underpinned by matters reserved for the Board, operating Company terms of reference and delegated authorities, financial procedures, and health and safety, sustainability and ethics policies. The Group operates several programmes to improve the control environment and management of risk, including e-learning modules on ethics, anti-bribery and corruption, and an external whistleblowing hotline.

Financial controls

- Board approved budgets for a three-year period for the Group and operating companies.
- Monthly strategic and financial reports from the Chief Executive Officer and the Chief Financial Officer, with written commentary including key developments for each business stream.
- Corporate governance framework for the Group and at operating Company level, which clearly defines responsibilities and delegated authority levels.
- Independent internal audit function.
- Board approval of acquisitions and disposals, significant tenders and long-term contracts.

Operational controls

- All Group operating companies have specific, written policies and procedures that cover material aspects of their operations. Compliance with these policies is subject to internal audit and review.

Compliance controls

- Health and safety, and environmental and sustainability policies in place at Group and operating Company level.
- Group code of business ethics in place.
- Executive Ethics Committee in place to recommend and review policies and procedures to maintain high standards of ethics and integrity, corporate responsibility, anti-bribery and legal compliance.
- Detailed matrix across the Group to set out levels of authority.

The Committee and Board receive regular risk management reports; together, they ensure there are adequate internal controls in place and that these are functioning effectively.

The Directors consider that the Group's system of internal financial control provides reasonable, but not absolute, assurance in the following areas: that the assets of the Group are safeguarded; that transactions are authorised and recorded in a correct and timely manner; and that such controls would prevent or detect, within a timely period, material errors or irregularities. The system is designed to mitigate and manage risk to an acceptable level, rather than eliminate it and to address key business and financial risks.

Risk management framework

The Group's risk management process is set out on pages 28 to 30. The Board has delegated responsibility for reviewing the effectiveness of the Group's risk management systems to the Committee. Any matters of particular concern are escalated for presentation to the Board.

Principal risks rolling deep dive programme

The Group's principal risks are set out on pages 31 to 35. The Committee receives and debates risk reports that outline the areas of focus of the Executive Risk Management Committee. The reports highlight key changes in risks since the previous meeting, and which risks should undergo a deep dive. The programme of rolling deep dives to ensure each principal risk undergoes sufficient scrutiny has continued. Each deep dive is presented by the relevant risk owner and includes a review of actions taken and planned together with mitigations.

The risks reviewed by the Committee and the Board during the period are set out on page 29.

The Committee also, at each meeting, reviewed the progress on the replacement ERP system and the new HR system.

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. Recognising the benefits of access to a broad range of skills and experience, as well as a fully flexible resource, the Committee continues to outsource the function to Grant Thornton UK LLP.

As the Group's internal auditors, Grant Thornton UK LLP have direct access to, and are responsible to, the Committee. Their work is risk focused, and the areas of audit focus are determined by the Committee based on a combination of risk registers and assessments, discussions held with senior management and requests received from the Committee, Group Chief Executive, Board members or other senior Executive Directors.

During the period, the Committee approved the annual plan of internal audits to be undertaken and received progress reports at each meeting. The progress reports summarised audit findings, management responses and ongoing internal audit activity within the Group. These reports were scrutinised and contributed to the Committee's view on the effectiveness of the Company's internal control and risk management framework. The internal auditors also attended the steering committee meetings for the implementation of the ERP system and provided an independent report to the Committee at each meeting.

The Committee reviewed the flexibility of the internal audit plan to changing external factors and the effectiveness of remote audits. The Committee also met with executive management without the internal audit team present to ascertain that the function continued to provide value.

Audit and Risk Committee Report continued

Internal control enhancement

During the period, the committee's assurance processes identified the need to strengthen the internal control around the financial reporting environment of one of the Group's subsidiaries. Additional procedures were undertaken to ensure that the overall integrity of the financial statements was maintained. The committee takes the robustness of internal controls extremely seriously and with management have implemented a number of changes to enhance relevant controls. These include a strengthening of key personnel, a continued investment improving the new ERP system and an increase in monitoring by internal audit.

Treasury committee

The Board has adopted a treasury management policy, which sets out the policies and strategies that the Group follows to manage its cash resources, minimise financial and operational risks, and establish and manage relationships with financial institutions. The Treasury Committee, which comprises the Chief Financial Officer, Group Company Secretary and Group Treasurer, met twice in the 15-month period and reported to the Committee on banking relationships, hedging contracts, foreign currency management and covenant compliance.

External auditor and audit plan

The Committee has received reports from the external auditor, BDO LLP, on five occasions. This included a review of the audit planning report, a number of updates on progress and a review of the final audit findings. The audit planning report sets out the strategy, scope and materiality, and the Committee was satisfied that the materiality chosen by BDO was appropriate. It also identified the key risks that the audit would focus on. The Committee also met on various occasions with the external auditor without the executive management being present.

Review of the report and accounts, audit findings and significant accounting issues

The Committee reviewed the report and accounts for the 15 months to 31 March 2022 to ensure that they were fair, balanced and understandable, and provided the information necessary for shareholders and other stakeholders to assess the Company's performance, strategy and business model. To enhance its review, the Committee also considered reports from the Chief Financial Officer and the external auditor.

In the preparation of the report and accounts, several areas required the exercise of management judgement or a degree of estimation. The key judgement areas considered by the Committee in relation to the 15-month period, and how these were addressed, were:

Long-term contract revenue recognition

The judgements made in relation to the accounting for long-term contracts are key to the revenue and profit recorded in each period. Material contracts and the related management assumptions and assessments used were reviewed by the Committee through regular Board updates on contract performance, and, where required, key individuals from the business attend meetings to provide a deeper understanding. BDO also reported its audit findings on the key judgements used in material contracts.

Exceptional costs

The Committee considered the amounts included as exceptional income and costs in the period to ensure that the categorisation was appropriate by reference to their nature and relevant guidance. BDO also commented on this assessment providing a detailed report within its audit findings.

Useful economic life of assets

Significant development is anticipated in relation to Cambridge Airport and the committee reviewed the assumptions around the carrying value of assets held on this site. Whilst it is recognised that should the development proceed, the useful economic lives of these assets would be foreshortened, the nature of the milestones outstanding on the Cambridge East development meant that the original useful economic lives of these assets was judged to be still valid. The committee noted that this would need to be kept under review for future periods.

Intangible asset impairment

As a result of cost over-runs and implementation challenges the carrying value of the new ERP system was impaired during the period. The committee reviewed the judgement around the level of impairment, and its disclosure as a separately disclosed exceptional item, to ensure that these were appropriate.

Marshall Motor Holdings ('MMH')

During the period ended 31 March 2022, MMH was fully consolidated into the Group's financial statements due to the Group's controlling shareholding. The Committee considers the key issues that arise in those financial statements as publicly reported. The key matters of judgment were assumptions around impairment reviews of goodwill and franchise intangibles, acquisition accounting, supplier rebates and stock provisions. The Committee has discussed with BDO the results of the MMH audit and was satisfied with the accounting judgments that had been made.

Recommendation of the Report and Accounts for Board approval

Following the relevant meeting, the Committee unanimously recommended the report and accounts to the Board for approval.

Justin Read
Audit and Risk Committee Chairman

25 November 2022

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic Report, governance statements, Directors' Report and Financial Statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial period.

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), including FRS 102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland". 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 Parent 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 and Parent Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group and Parent Company's transactions, and disclose with reasonable accuracy, at any time, the financial position of the Group and Parent 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 Parent 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.

Directors' statement in respect of 'fair, balanced and understandable' assessment

The Directors consider that the Report and Accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. In this context, the co-ordination and review of the groupwide input into the Report and Accounts is a vital part of the control process upon which the Directors rely, and is an exercise that spans a period wider than the timetable for compiling the Report and Accounts itself. Critically, these processes include the controls the business operates throughout the period to identify key financial and operational issues.

Directors' report

Marshall of Cambridge (Holdings) Limited Registered Number: 2051460

The Directors present their annual report, together with the audited financial statements, for the 15-month period ended 31 March 2022. The prior year period was for the 12 months ending 31 December 2020.

The principal activity of the Company continues to be a holding Company for its subsidiaries as well as financing the Group's activities.

Results and dividends

The Group recorded a profit after tax and minority interests for the period of £46,789,000 (2020: £18,472,000).

On the 17 December 2021, the Board paid a priority dividend of 2.0p per share on the non-voting priority Ordinary ('NVPO') shares, together with an interim dividend of 1.0p per share for both Ordinary and NVPO shareholders. A further interim dividend of 1.0p per share for both Ordinary and NVPO shareholders was paid on 8 July 2022. The Directors have not recommended a final dividend for the period ended 31 March 2022.

Preference dividends on the A and B preference shares amounting to £744,000 were paid in the period.

Following the sale of its shareholding in Marshall Motor Holdings after the period end, a Special Ordinary dividend of 76.0p per share was paid on 7 October 2022 to both Ordinary and NVPO shareholders (2020: £nil). See note 31 to the financial statements.

Future developments and risk management

The Group Strategic Report gives further details on future developments and the Group's risk management framework, as set out on pages 8 to 47.

Risk management

Further details on the Group's risk management framework and its principal strategic risks can be found in the risk management and principal risks and uncertainties sections of the Strategic Report on pages 28 to 35.

Research and development

The Group continues to be committed to research and development, focusing future investment on all stages of research and development (R&D). The FutureworX unit has been launched to meet the demand from customers for innovative solutions (see note 3 to the financial statements). The total amount of research and development for the period was £2.5m (2020: £1.6m).

Fixed assets

The Group invested £58.4m (2020: £40.0m) in new fixed assets and investments and a further £54.4m (2020: £3.0m) in the acquisition of new businesses. The Group's existing freehold investment properties were revalued by the Directors as at 31 March 2022, resulting in a valuation at the period end date of £5.5m (2020: £7.3m). A revaluation surplus of £0.2m (2020: £0.1m) has been taken to the income statement and non-distributable reserves. Tangible fixed assets' details and movements can be found in note 13 to the financial statements.

Social Policy

The Group takes its responsibilities to its employees, customers, suppliers and shareholders seriously, as well as its wider social responsibilities to the environment and to the communities in which it operates. 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.

Charitable donations

The Group made charitable donations of £152,000 (2020: £154,000) during the period.

Political contributions

There were no political donations in either period.

Health and safety

The Board remains committed to the effective management and monitoring of health and safety and to providing a safe working environment for all employees and partners and to keeping members of the public free from harm.

Employees

The Group recognises the importance of engaging employees to help us understand their views and for our employees to understand the Group's strategy and long-term objectives. Further details on how the Group engages with employees can be found in the stakeholder engagement section of the Strategic Report on pages 37 to 38.

The Board is committed to ensuring there is a positive working environment and the Company offers a range of options and benefits to enhance our employees' lives. All employees are enrolled into our pension and life assurance schemes.

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Directors

The following served as Directors of the Company during the period ended 31 March 2022 and up to the date of signing, except as indicated:

Jonathan Flint (appointed Non-Executive Chair 30 June 2022), Alex Dorrian (resigned 20 September 2022), Julie Baddeley, James Buxton, Sean Cummins, Charlie Marshall (resigned 18 February 2022), Philip Yea (resigned 30 September 2021), Justin Read (appointed 1 October

2021), Doug Baxter (appointed 17 February 2022) and Roger Hardy (appointed 1 August 2022).

In accordance with the Articles of Association of the Company, Justin Read, Doug Baxter and Roger Hardy retire on first appointment and, being eligible, offer themselves for re-appointment as Directors at the forthcoming Annual General Meeting. Jonathan Flint will retire by rotation, and, being eligible, offers himself for re-appointment also.

The interests of the Directors, who were Directors of the Company at the date of the approval of the financial statements, in the shares of the Company at 1 January 2021 and 31 March 2022 were:

	Julie Baddeley
Ordinary Shares of 12.5p each	–
NVPO Shares of 12.5p each	16,000
8% preference A shares of £1 each	–
10% preference B shares of £1 each	–

Directors' indemnities

In accordance with our Articles of Association and to the extent permitted by law, directors are granted an indemnity from the company in respect of liability incurred as a result of their office. In addition, the Group maintained a directors' and officers' liability insurance policy throughout the period. Neither the indemnity nor the insurance provides cover in the event that a director is proven to have acted dishonestly or fraudulently.

S172 Companies Act 2006 and stakeholder engagement

The Board's application of s172 of the Companies Act 2006 and the principal decisions made during the period are set out on page 36. Further details on how the Group engages with customers, suppliers, shareholders and communities can be found in the stakeholder engagement section of the Strategic report on pages 39 to 47.

Sustainability and Streamlined Energy and Carbon Report ('SECR')

The Group is committed to its Ambition 2030 sustainability strategy. Further details can be found in the sustainability section of the Strategic report on pages 37-38. The Streamlined Energy and Carbon Report itself is presented on page 45-46.

Corporate governance

The Group's corporate governance framework and its application of s172 of the Companies Act 2006 is set out on pages 54 to 61.

Board engagement

The Board's engagement with stakeholders and the principal decisions made during the period are set out on pages 36 to 38.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are described within the Group Strategic Report on pages 8 to 47. Included within this, the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 26 and 27, whilst the principal risks and uncertainties facing the Group are set out in the Group Strategic Report and specifically on pages 31 to 35.

At 31 March 2022, the Group reported net current liabilities of £26.0m (2020: £27.4m). This was substantially improved after the period end with the receipt of proceeds from the MMH disposal. As a result, the Core Group's net debt position has been extinguished and at the end of October 2022 the net cash position was approximately £147m.

As part of their assessment, the Directors have performed a stress test to understand what would need to happen for the business to fully utilise its available funds. Having assessed the results of this analysis, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least 12 months from the date of approval of the financial statements.

For these reasons, the Directors continue to adopt a going concern basis for the preparation of the financial statements. Accordingly, these financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

Disclosure of information to the auditor

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. This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Post balance sheet events

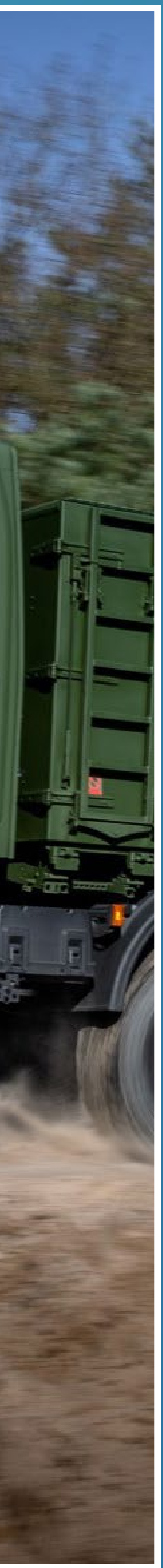
The financial statements take into consideration events occurring between the period end date and the date of approval by the Board of Directors on 25 November 2022. Note 31 to the financial statements provides details of non-adjusting post balance sheet events.

BY ORDER OF THE BOARD

Sarah Moynihan
Group Company Secretary

25 November 2022

Financial statements

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Independent auditor's report

to the members of Marshall of Cambridge (Holdings) Ltd

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's profit for the period then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Marshalls of Cambridge (Holdings) Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the 15 month period ended 31 March 2022 which comprise consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet , consolidated statement of changes in equity, consolidated statement of cash flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Notes to the Consolidated Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The objectives of our audit, in respect to fraud, are:

- to identify and assess the risks of material misstatement of the financial statements due to fraud,
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses, and
- to respond appropriately to fraud or suspected fraud identified during the audit.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was to obtain an understanding of the legal and regulatory frameworks that are applicable to the Group and Parent Company. We determined that the most significant laws and regulations which are directly relevant to specific assertions in the financial statements are those related to the reporting framework (FRS 102 and the Companies Act 2006), labour regulations and tax in the United Kingdom.

We understood how the company is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and review of material legal costs in the period.

We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it is considered there was a susceptibility of fraud. We also considered potential fraud drivers, including financial or other pressures, opportunity, and personal or corporate motivations. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and key areas of estimation uncertainty or judgement, for example, costs to complete and stage of completion on key material contracts.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Mark Cardiff

Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
London, UK

25 November 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

for the 15 months ended 31 March 2022

	Notes	**31 March 2022 £000**	31 December 2020 £000
Revenue	2	**4,176,104**	2,488,114
Cost of sales		**(3,630,026)**	(2,166,951)
Gross profit		**546,078**	321,163
Operating expenses		**(478,211)**	(315,951)
Profit on disposal of land and buildings		**22,908**	8,873
Other income	4	**4,417**	23,190
Operating profit	6	**95,192**	37,275
Share of profit in the period in joint ventures		**3,993**	428
Net finance expenses	7	**(7,245)**	(7,243)
Profit before taxation		**91,940**	30,460
Analysed as:			
Underlying profit before tax		**100,686**	39,064
Separately disclosed exceptional items	3	**(8,746)**	(8,604)
Tax on profit	8	**(24,169)**	(8,469)
Profit after taxation		**67,771**	21,991
Attributable to:			
Owners of the parent		**46,789**	18,472
Non-controlling interest		**20,982**	3,519
		67,771	21,991
Basic and diluted earnings per share	9	**77.9p**	30.0p
Underlying earnings per share	9	**82.9p**	41.3p

Consolidated statement of comprehensive income

for the 15 months ended 31 March 2022

	Notes	**31 March 2022 £000**	31 December 2020 £000
Profit after taxation		**67,771**	21,991
Exchange differences on re-translation of subsidiary undertakings		**420**	(71)
Fair value gain/(loss) recognised on cash flow hedges		**1,509**	(2,442)
Taxation on cash flow hedges	8c	**(287)**	371
Actuarial gain/(loss) recognised on defined benefit pension scheme	30	**3,462**	(2,801)
Deferred tax (charge)/credit relating to defined benefit pension scheme	30, 8c	**(587)**	592
Total other comprehensive income/(expense)		**4,517**	(4,351)
Total comprehensive income		**72,288**	17,640
Total comprehensive income for the period/year attributable to:			
Owners of the parent		**51,306**	14,121
Non-controlling interest	23	**20,982**	3,519
		72,288	17,640

Consolidated balance sheet

as at 31 March 2022

	Notes	31 March 2022 £000	31 December 2020 £000
Fixed assets			
Intangible fixed assets	12	**145,087**	94,051
Tangible fixed assets	13	**311,502**	271,089
Investments	14	**5,582**	12,070
Total fixed assets		**462,171**	377,210
Current assets			
Stocks	15	**483,337**	384,936
Debtors			
Amounts falling due within one year	16	**222,703**	162,267
Amounts falling due after more than one year	16	**31,655**	20,446
Cash at bank and in hand		**30,712**	43,920
Total current assets		**768,407**	611,569
Creditors: amounts falling due within one year	17	**(794,366)**	(638,927)
Net current liabilities		**(25,959)**	(27,358)
Total assets less current liabilities		**436,212**	349,852
Creditors: amounts falling due after more than one year	18	**(28,259)**	(29,313)
Provision for liabilities	20	**(53,361)**	(31,162)
Net assets before pension liability		**354,592**	289,377
Pension liability	30	**–**	(4,633)
Net assets		**354,592**	284,744
Capital and reserves			
Called-up share capital	21	**15,785**	15,785
Share premium		**611**	611
Capital redemption reserve	22	**130**	130
Cash flow hedge reserve	22	**2,992**	1,770
Profit and loss account		**246,540**	197,812
Shareholders' funds		**266,058**	216,108
Non-controlling interest	23	**88,534**	68,636
Total capital employed		**354,592**	284,744

The financial statements of Marshall of Cambridge (Holdings) Limited were approved by the Board of Directors and authorised for issue on 25 November 2022. They were signed on its behalf by:

D. J. Baxter
Director

Consolidated statement of changes in equity

for the 15 months ended 31 March 2022

	Share capital £000	Share premium £000	Capital redemption reserve £000	Cash flow hedge reserve £000	Profit and loss account £000	Total £000	Non-controlling interest £000	Total £000
At 1 January 2020	15,785	611	130	3,841	185,272	205,639	64,917	270,556
Profit for the financial year	–	–	–	–	18,472	18,472	3,519	21,991
Other comprehensive expense	–	–	–	(2,071)	(2,280)	(4,351)	–	(4,351)
Total comprehensive (expense)/income for the year	–	–	–	(2,071)	16,192	14,121	3,519	17,640
Equity dividends paid (notes 10 and 23)	–	–	–	–	(4,013)	(4,013)	–	(4,013)
Share-based payment credit		–	–	–	361	361	200	561
At 31 December 2020	15,785	611	130	1,770	197,812	216,108	68,636	284,744
Profit for the financial period	–	–	–	–	46,789	46,789	20,982	67,771
Other comprehensive income	–	–	–	1,222	3,295	4,517	–	4,517
Total comprehensive income for the period	–	–	–	1,222	50,084	51,306	20,982	72,288
Equity dividends paid (notes 10 and 23)	–	–	–	–	(3,858)	(3,858)	(2,466)	(6,324)
Share-based payment credit	–	–	–	–	3,215	3,215	1,776	4,991
Adjustment to equity arising from MMH shares repurchased	–	–	–	–	(713)	(713)	(394)	(1,107)
At 31 March 2022	**15,785**	**611**	**130**	**2,992**	**246,540**	**266,058**	**88,534**	**354,592**

Consolidated statement of cash flows

for the 15 months ended 31 March 2022

	Notes	**31 March 2022 £000**	31 December 2020 £000
Operating activities			
Net cash inflow from operating activities	11a	**76,251**	76,619
Investing activities			
Interest received	7	**64**	134
Payments to acquire intangible fixed assets	12	**(6,049)**	(6,795)
Payments to acquire tangible fixed assets	13	**(51,390)**	(30,961)
Payments to acquire fixed asset investments	14	**(975)**	(2,215)
Receipts from sales of tangible fixed assets – excluding property		**2,075**	780
Receipts from sales of tangible fixed assets – property		**17,108**	14,981
Receipts from sales of businesses/subsidiaries		**350**	–
Receipts from sales of fixed assets investments		**10,593**	–
Acquisition of businesses (including acquisition costs)	5	**(78,128)**	(2,958)
Net cash acquired on acquisitions	14	**20,300**	–
		(86,052)	(27,034)
Financing activities			
Interest paid	7	**(2,767)**	(2,093)
Stock finance and other interest paid	7	**(6,132)**	(5,485)
Dividends paid to preference shareholders	10	**(744)**	(744)
Equity dividends paid	10	**(3,269)**	(3,269)
Acquisition of shares from non-controlling interest		**(535)**	–
Settlement of exercised share options	28	**(638)**	–
Dividends paid to non-controlling interest	23	**(2,466)**	–
Proceeds from loans and borrowings	19	**45,602**	79,898
New overdrafts	19	**1,483**	1,081
Repayment of overdrafts	19	**–**	(2,851)
Repayment of loans and borrowings	19	**(34,213)**	(83,641)
		(3,679)	(17,104)
(Decrease)/increase in cash and cash equivalents		**(13,480)**	32,481
Effect of exchange rates on cash and cash equivalents		**272**	(134)
Cash and cash equivalents at 1 January	11c	**43,920**	11,573
Cash and cash equivalents at period end	11c	**30,712**	43,920

Notes to the consolidated financial statements

1a. Accounting policies

Statement of compliance

Marshall of Cambridge (Holdings) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Airport House, The Airport, Cambridge, CB5 8RY.

The Group's financial statements have been prepared in compliance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as it applies to the financial statements of the Group for the 15 months ended 31 March 2022. The comparative period is the year ended 31 December 2020.

Basis of preparation

The consolidated financial statements of Marshall of Cambridge (Holdings) Limited were authorised for issue by the Board of Directors on 25 November 2022. The consolidated financial statements have been prepared in accordance with applicable accounting standards. They are presented in sterling and are rounded to the nearest £'000.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position, are described within the Group Strategic Report on pages 8 to 47. Included within this, the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 26 and 27, whilst the principal risks and uncertainties facing the Group are set out in the Group Strategic Report, specifically on pages 31 to 35.

Based on this assessment, the Directors have adopted the going concern basis in preparing the financial statements, subject to the risks and uncertainties described in this section.

At 31 March 2022, the Group reported net current liabilities of £28,938,000 (2020: £27,358,000). This was substantially improved after the period end with the receipt of proceeds from the MMH disposal. As a result, the Group's net debt position has been extinguished and, at the end of October 2022, the net cash position was approximately £147m.

As part of their assessment, which covers the period to 30 April 2024, the Directors have performed a stress test to understand what would need to happen for the business to fully utilise its available funds. Having assessed the results of this analysis, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least 12 months from the date of approval of the financial statements.

Basis of consolidation

The Group's financial statements consolidate the financial statements of the Parent Company and all of its subsidiary undertakings for the 15-month periods up to 31 March 2022. For preceding periods, the Group's financial statements consolidate 12-month periods up to 31 December 2020.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Revenue recognition

Revenue comprises the invoiced value of goods and services supplied by the Group excluding trade discounts and value added tax. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The specific methods used to recognise the different forms of revenue earned by the Group are set out below:

- Sale of goods: Revenue 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. These criteria are considered to be met when the goods are delivered to the buyer.
- Long-term contracts: Revenue 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 period in which they are first foreseen.
- Rendering of services: Revenue from the provision of services is recognised as the contract activity progresses to reflect the performance of the underlying contractual obligations.
- Leases: Rental income from operating leases is recognised on a straight-line basis over the lease term.

Unwind of discounting

The finance income associated with the time, value of money on discounted receivables is recognised within interest receivable and similar income as the discount unwinds over the life of the relevant item.

Notes to the consolidated financial statements

1a. Accounting policies (continued)

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the estimate of the amount payable if probable in relation to any liability resulting from a contingent consideration arrangement.

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be reliably measured, in which case the value is subsumed into goodwill.

Goodwill

Positive goodwill acquired on each business combination is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful life of between 5-20 years. Each acquisition is assessed separately as to its specific useful economic life.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each cash-generating unit ('CGU') or group of CGUs that is expected to benefit from the synergies of the combination.

If a subsidiary, associate or business is subsequently sold or discontinued, any related goodwill arising on acquisition that has not been amortised through the consolidated income statement is taken into account in determining the profit or loss on sale or discontinuance, measured on a pro-rata basis for part disposals.

Intangible assets

Other intangible assets, when acquired separately from a business combination, include computer software and licenses. Cost comprises purchase price from third parties and amortisation is calculated on straight-line basis over the assets' expected economic lives, which varies depending on the nature of the asset. Licenses are amortised, commencing on the date the intangible asset is capable of being brought into use, over the length of the license, and software is amortised between 3-10 years.

Other intangible assets, acquired as part of a business combination, include franchise agreements. These items are capitalised separately from goodwill if the asset is separable and if the fair value can be measured reliably on initial recognition. Such assets are stated at fair value less accumulated amortisation, which is calculated on straight-line basis. Franchise agreements are amortised at fair value, over 10-20 years. Amortisation is included within operating expenses in the consolidated income statement.

Estimates of the useful economic life of intangible assets are based on a variety of factors such as the expected use of the intangible asset, the business plan for the use of the assets and any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar intangible assets.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Land is not depreciated. Depreciation is provided on property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Freehold properties	20-50 years
Short leasehold	Shorter of the lease or 10 years
Plant and machinery:	
General	3–8 years
Aircraft	5–20 years
Assets under construction	Not depreciated

Costs wholly attributable to future property developments are capitalised to the extent they are considered recoverable against future economic benefits. Such costs are capitalised from the point that a viable development is considered probable and includes external and directly attributable incremental internal costs relating to planning, site preparation, infrastructure and construction costs.

Costs incurred for constructing assets for use in the business are capitalised and comprise both external costs and directly attributable internal costs. Depreciation of such "Assets under construction" commences when the asset is available to be brought into use.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

1a. Accounting policies (continued)

Impairment of assets

If any such indication exists, the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the consolidated income statement.

An impairment loss recognised for all assets, excluding goodwill, is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply and the recoverable amount has increased.

Investment properties

Certain of the Group's properties are held for long-term investment. Investment properties are accounted for as follows:

- Investment properties are initially recognised at cost, which includes purchase cost and any directly attributable expenditure.
- Investment properties whose fair value can be measured reliably are measured at fair value. The surplus or deficit on revaluation is recognised in the consolidated income statement. The Group engages independent valuers to assist the Directors in determining fair value.
- After initial recognition, investment properties are recorded at fair value. The surplus or deficit on revaluation is recognised in the consolidated income statement and accumulated in the non-distributable reserve. The Company engages independent valuers to assist the Directors in determining fair value.
- Expenditure to improve the rentals or capital appreciation are recorded as additions to investment properties. Where a substantial development is commenced with a view to a sale, the property is transferred to inventory.
- Properties currently rented to third parties that will be used in the residential development are valued using the discounted cash flow technique to arrive at a fair value of the asset.
- Transfers into and out of investment properties are made at fair value determined above.

Investments

Investments are recognised initially at fair value, which is normally the transaction price (excluding any transaction costs, where the investment is subsequently measured at fair value through the consolidated income statement). Subsequently, the investments are measured at fair value through the consolidated income statement except for those investments that are not publicly traded or whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

Consistent with the requirements of FRS 102 paragraph 11.3(d)(iv) and (v), such investments are held at cost less impairment, as no reliable fair value estimate can be determined given limited or no active market for such investments.

If a reliable measure of fair value is no longer available, the instrument's fair value on the last date the instrument was reliably measured is treated as the cost of the instrument.

Investment in joint ventures

Entities in which the Group holds an interest and are jointly controlled by the Group and one or more other venturers, under a contractual arrangement, are treated as joint ventures. In the consolidated financial statements, joint ventures are accounted for using the equity method. Under the equity method, any unrealised profits as a result of transactions between the joint venturer and the joint venture shall be eliminated to the extent of the venturer's interest in the joint venture.

Long-term debtors

Long-term balances due from joint ventures relate to land transferred to the joint ventures and are initially recognised at the present value of consideration payable by the counterparty (including interest). After initial recognition, they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation (unwinding of discount) is included as part of interest receivable and similar income in the consolidated income statement.

Stocks, work in progress and long-term contracts

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale – purchase cost on a first-in, first-out basis.

Work in progress – cost of direct materials and labour, plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Long-term contract work in progress is recognised on the basis described in the revenue recognition policy, less provisions for foreseeable losses and payments on account received, or receivable.

Notes to the consolidated financial statements

1a. Accounting policies (continued)

Stocks held on consignment are accounted for 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 such as stock holding cost, responsibility for safe keeping and some risk of obsolescence rest within the Group. Stock held on consignment are accounted for net of value added taxes, with a corresponding liability that includes value added taxes.

The Group finances the purchase of new and used vehicle inventories using vehicle financing facilities provided by various lenders including the captive finance companies associated with brand partners. These finance arrangements generally have a maturity of 90 days or less. The Group is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date. Amounts due to finance companies in respect of vehicle funding are included within trade payables and disclosed under vehicle financing arrangements. Related cash flows are reported within cash flows from operating activities within the consolidated statement of cash flows. Vehicle financing facilities are subject to finance house base rate (or similar) interest rates. The interest incurred under these arrangements is included within finance costs and classified as stock holding interest.

Stock financing charges from manufacturers and other vehicle financing facilities are presented within finance costs. These charges are expensed over the period that vehicles are funded.

Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Convertible Loan Notes

As part of the sale of Martlet Capital, the Group received consideration in the form of Convertible Loan Notes from the acquirer, an unlisted UK company. These Convertible Loan Notes are held at the cash value of redemption less any impairment. The Directors expect these amounts to be settled in cash rather than converted, and accordingly have presented the balance as a debtor.

Supplier income

MMH receives income from brand partners and other suppliers based on specific agreements in place. These are generally based on achieving certain objectives such as specific sales volumes and maintaining agreed operational standards. This supplier income received is recognised as a deduction from cost of sales at the point when it is reasonably certain that the targets have been achieved for the relevant period and when income can be measured reliably based on the terms of each relevant supplier agreement.

Supplier income that has been earned but not invoiced at the balance sheet date is recognised in other receivables and primarily relates to volume-based incentives that run up to the period end.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is capitalised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Research and development expenditure credit

Costs incurred that qualify as research and development entitles the Group to a payment from HM Revenue and Customs. Income is only recognised when it is "probable", and the business has reasonable assurance the conditions have been met. The receipt, which has the nature of a government grant, is credited to other income.

Government grants

Grants are account for under the accruals model as permitted by FRS 102. The deferred element of grants is included in creditors as deferred income. Grants of a revenue nature are recognised as "other income" within profit or loss in the same period as the related expenditure. The Group has benefitted from government assistance and details are disclosed in note 4.

Taxation

The charge/(credit) for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

1a. Accounting policies (continued)

Deferred tax is recognised in respect of all timing differences that are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements, except that:

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends are receivable;
- where there are differences between amounts that can be deducted for tax for assets (other than goodwill) and liabilities, compared with the amounts that are recognised for those assets and liabilities in a business combination, a deferred tax liability/(asset) is recognised;
- the amount attributed to goodwill is adjusted by the amount of the deferred tax recognised;
- unrelieved tax losses and other deferred tax assets are recognised only to the extent that the Directors consider that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- deferred tax is measured on an undiscounted basis at the tax rates that 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, a number of pension schemes, one of which has elements of both defined benefit and defined contribution, while the others are entirely defined contribution. The defined contribution pension schemes are funded by the payment of contributions to trustee administered funds, which are kept entirely separate from the assets of the Group. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligations) and is based on actuarial advice. When a settlement or a curtailment occur, the change in the present value of the scheme liabilities and the fair value of the plan assets reflects the gain or loss, which is recognised in the consolidated income statement during the period in which it occurs.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, at the start of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in the consolidated income statement as other finance revenue or cost.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability (excluding amounts included in net interest) are recognised immediately in Other Comprehensive Income in the period in which they occur. Remeasurements are not reclassified to the consolidated income statement in subsequent periods.

The net defined benefit pension asset or liability in the consolidated balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high-quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of quoted securities, is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Contributions to defined contribution schemes are recognised in the consolidated income statement in the period in which they become payable.

Marshall of Cambridge (Holdings) Limited is the sponsoring employer of the defined benefit scheme as it has legal responsibility for the scheme. There is no contractual agreement or stated policy for charging the defined benefit cost of the plan as a whole to individual Group entities and, therefore, the Company has recognised the entire net defined benefit cost and relevant net defined benefit liability of the scheme in its individual financial statements.

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase contracts are capitalised in the consolidated balance sheet and are depreciated over the shorter of the lease term and the assets' useful lives. A corresponding liability is recognised for the lower of the fair value of the leased asset and the present value of the minimum lease payments in the consolidated balance sheet. Lease payments are apportioned between the reduction of the lease liability and finance charges in the consolidated income statement so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged in the consolidated income statement on a straight-line basis over the lease term. Lease incentives are recognised over the lease term on a straight-line basis.

Foreign currencies

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The assets and liabilities of overseas subsidiary undertakings are translated into the presentational currency at the rate of exchange ruling at the balance sheet date. Income and expenses for each Statement of Comprehensive Income are translated at exchange rates at the dates of transaction. All resulting exchange differences are recognised in Other Comprehensive Income.

Notes to the consolidated financial statements

1a. Accounting policies (continued)

Derivative financial instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through other comprehensive income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contracts is calculated by using counterparty valuation reports as the basis of the fair value recorded. In 2021, the currency derivatives in some of the subsidiaries met the requirements for hedge accounting in full and qualify for fair value hedge accounting.

Changes in the value of derivatives are recognised in the consolidated income statement within administrative expenses, except where they have been designated as qualifying cash flow hedges. Gains or losses on derivatives designated as cash flow hedges are initially recognised within Other Comprehensive Income, and subsequently recycled to the consolidated income statement when the derivative is settled.

Provision for liabilities

A provision is recognised in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate, that reflects current market assessments of the time value of money, and, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised in finance costs.

Cash and cash equivalents

Cash and cash equivalents in the consolidated balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less. Where a right of offset exists, overdrafts are netted against cash and cash equivalents, otherwise they are disclosed as loans and borrowings within creditors: amounts falling due within one year.

Share-based payments

One of the Group's subsidiaries, Marshall Motor Holdings plc ('MMH'), operates a number of equity-settled share-based compensation plans through which the Group allows MMH employees to receive shares in MMH.

The grant of share options by MMH to its employees gives rise to an expense that is recorded in operating expenses and a credit to equity, which is apportioned between the profit and loss account reserve in shareholders' funds, and the non-controlling interest. On exercise of share options or on any other issuance of new equity instruments by MMH, there is a dilution of the interest that the equity holders of the Company have in MMH. The effect of this dilution is recorded in "Change in interest in subsidiaries' net assets" in the consolidated statement of changes in equity.

Equity-settled share-based payments are measured at fair value (calculated excluding the effect of service and non-market-based performance vesting conditions) at the date of grant. The share-based payment charge to be expensed is determined by reference to the fair value of share options granted.

The share-based payment charge is recognised on a straight-line basis over the vesting period (being the period over which all vesting conditions are to be satisfied). An award subject to graded vesting is accounted for as though it were multiple, separate awards, the number of awards being determined in direct correlation to the number of instalments in which the options vest.

The share-based payment charge is based on MMH's estimate of the number of options that are expected to vest. At each balance sheet date, MMH revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. MMH's remuneration policy gives its Remuneration Committee discretion to revise performance conditions to adjust for the impact of Group restructurings and reorganisations on incentive outcomes. The impact of any revisions to original vesting estimates or performance conditions is recognised in the consolidated income statement with a corresponding adjustment to equity.

Social security contributions payable in connection with share options granted are considered to be an integral part of the grant and are, therefore, treated as cash-settled transactions. For cash settled share-based payments, MMH recognises a liability for the services acquired, measured initially at the fair value of the liability. This liability is remeasured at each balance sheet date and at the date of settlement, with any changes in fair value recognised in the consolidated statement of comprehensive income.

Where shares options are forfeited, effective from the date of the forfeiture, any share-based payment charge previously recognised in both the current and prior periods in relation to these options is reversed though the consolidated income statement with a corresponding adjustment through the consolidated statement of changes in equity.

Separately disclosed exceptional items

Items that are material or significant to the reader's understanding of the financial statements are presented as exceptional items within the consolidated income statement. The separate reporting of exceptional items helps provide additional information to the reader, which management considers useful and relevant in understanding the Group's underlying business performance. More details on these items can be found in note 3.

1a. Accounting policies (continued)

Borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Classification of shares as debt or equity

All categories of shares are classified as equity. Incremental costs directly attributable to the issue of new shares would be shown in a share premium account as a deduction from the proceeds.

1b. Judgements and key sources of estimation uncertainty

Post balance sheet events

The financial statements take into consideration events occurring between the period end date and the date of their approval by the Board of Directors, as indicated on the consolidated balance sheet. In accordance with FRS 102, equity dividends on ordinary share capital are recognised as a liability in the period in which they are declared.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

Judgements

Determination of useful life of goodwill and franchise agreements

Goodwill and franchise agreements are intangible assets acquired through business combinations. The useful life is determined at initial recognition and based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash-generating units, review of the franchise agreement and experience of working with the franchisor. The net book value of these assets is £132,631,000 and further details can be found in note 12.

Recoverability of property development costs

Development and related relocation planning costs are capitalised and treated as freehold land and buildings assets at the point that an approved development plan is determined to be financially viable and that it is probable the economic benefits associated with the proposed development will flow to the entity. This is at the point that expenditure is considered to enhance the value of land when considering a probable alternative use or at the point it is considered probable that planning permission will be granted.

Development costs include expenditure to ready the site for development, professional fees supporting the development plan and the related relocation plan, costs of obtaining planning permission, borrowing costs and technical studies.

The Directors consider the carrying value of development and relocation planning costs at each period end to determine if the costs are recoverable. In considering the carrying value of capitalised development costs, the Directors consider the property's actual and potential uses that are physically, legally and financially viable. Where the highest and best use differs from the existing use, the Directors consider a number of factors that include: the likelihood of successful planning permission being obtained, conditions that need to be met to achieve a change in use, and the use a market participant would have in mind when formulating the price it would bid and reflects the cost and likelihood of achieving that use.

Included within freehold land and buildings are costs and net book value of £8,407,000 (2020: £10,812,000), which relate to costs incurred on planning applications submitted and to be submitted.

Sources of estimation uncertainty

Useful economic lives

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The Group also tests for impairment when a trigger event occurs.

Where applicable, the estimated useful life of the hangars and the associated property, plant and equipment has been limited to the period remaining until the intended change in use of the land on which the assets are situated. . No such limitations have yet been taken into account in relation to assets on the proposed Cambridge East land as this potential development has not reached sufficient maturity in the judgement of the Directors As the degree of certainty over the timing of the intended change in use of land increases, the useful life of the related assets will be updated and depreciation expense adjusted prospectively over the updated useful economic life. This will increase reported depreciation expense and, therefore, reduce operating profit, as well as asset carrying values, in future periods.

Revaluation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in the consolidated income statement. The Group engaged independent valuation specialists to assist the Directors in determining fair value at 31 March 2022. The valuer determines fair value by considering comparable local market data such as rental yields, location, condition and nature of the property. At 31 March 2022, the fair value of investment properties was £5,541,000 (2020: £7,276,000).

Notes to the consolidated financial statements

1b. Judgements and key sources of estimation uncertainty (continued)

Long-term contracts

Revenue on long-term contracts is recognised by reference to the stage of completion of contract activity, and, therefore, is sensitive to the ability to reliably assess this stage of completion. This is normally based on the costs incurred to date as a proportion of total anticipated contract costs. However, if this does not accurately reflect the stage of completion then an alternative approach is used instead. In making its estimate of costs to complete the contract, management exercises judgement to forecast likely contract outcome based on its best estimate of likely costs, taking into account development, production, financial and customer risks.

These assessments are inherently highly judgemental and, whilst they are the best estimate of the contract outcome at a point in time, the final outcome can vary materially as new risks or opportunities develop. In addition, if the final outcome of a contract cannot be reliably assessed, revenue recognition is limited to the level of costs incurred until such time that the contract has progressed sufficiently to make profit recognition appropriate. Where a contract is forecast to be loss making, full provision is made for such losses in the first period in which they are foreseen. Revenue recognised on long-term contracts for the period ended 31 March 2022 was £324,165,000 (2020: £278,421,000).

Impairment of goodwill and intangible assets

The Group reviews the goodwill arising on the acquisition of subsidiaries or businesses for impairment when events or changes in economic circumstances indicate that impairment may have taken place. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ('CGUs'),, or groups of CGUs, that are expected to benefit from the synergies of the combination. The group of CGUs to which the goodwill is allocated (being groups of dealerships connected by manufacturer brand) represents the lowest level within the group at which the goodwill is monitored for internal management purposes.

The impairment review is performed by projecting the future cash flows, excluding finance costs and tax, based upon budgets and plans and making appropriate assumptions about rates of growth and discounting these using a recognised rate, which takes into account prevailing market interest rates and judgments relating to the risks inherent in the business. If the present value of the projected cash flows is less than the carrying value of the underlying asset or group of assets and related goodwill, an impairment charge is recorded in the consolidated income statement. This calculation requires the exercise of significant judgement by management. If the estimates made prove to be incorrect or changes in the performance of the cash-generating unit affect the amount and timing of future cash flows, goodwill may become impaired in future periods.

Details of the cost, amortisation and net book value of goodwill and intangible assets can be found in note 12.

Motor vehicle inventory valuation

Motor vehicle inventories are stated at the lower of cost and net realisable value (fair value less costs to sell). Fair values are assessed using reputable industry valuation data, which is based upon recent industry activity and forecasts. Whilst this data is deemed representative of net realisable value, it is possible that ultimate sales values can vary from those applied. The gross value of motor vehicle inventories at 31 March 2022 was £465,219,000, a provision of £19,172,000 has been recorded resulting in a net value of £446,047,000.

Industry valuations are sensitive to rapid changes in regulatory and market conditions that are difficult to anticipate. In light of the materiality of the inventory balance in the consolidated balance sheet, this uncertainty is considered to represent a key source of estimation uncertainty. The inventory provision as at 31 March 2022 represents 4.1% of the gross inventory balance (31 December 2020: 3.1%). This increase is due to a combination of the unusual market conditions during the period whereby used vehicle prices appreciated coupled with an expectation of lower pricing during the second half of 2022 triggered by a deterioration in economic conditions, notably consumer confidence. A 50bps (2020: 100bps) change in this ratio would change the provision in the consolidated balance sheet by approximately £2,500,000 (2020: £3,800,000). A 50bps movement represents a reasonably possible change to the provision ratio based on average movements observed over the previous three periods.

Timing of joint venture cash receipts

The fair value of receivables for land transferred to Hill Marshall LLP is dependent on our estimate of cash contributions expected to be received by Hill Marshall LLP from Hill Residential Limited, and the timing of individual property sales from the joint venture entity in future periods. This estimate is based on our current expectation of development progress and latest available information to guide expectations of revenue when individual properties become available for sale.

Details of the joint venture receivables can be found in note 16.

2. Revenue and profit/(loss) before tax analysis

Management has determined the operating units based on the operating reports used to assess both performance and strategic decisions. These results have been determined using consistent accounting policies as the overall consolidated financial statements.

Revenue	31 March 2022 £000	31 December 2020 £000
Aerospace	**268,693**	229,270
Land Systems	**47,468**	44,240
Group Properties (including share of revenue in joint ventures)	**9,901**	8,078
Fleet Solutions	**67,221**	45,694
Slingsby Advanced Composites	**10,349**	10,284
Skills Academy	**2,807**	1,808
Futureworx	**–**	–
Motor retail	**3,760,882**	2,154,415
Aeropeople (sold during the period)	**3,383**	12,803
Other	**17,196**	385
Internal sales	**(11,796)**	(18,863)
Total	**4,176,104**	2,488,114

Profit/(loss) before tax	31 March 2022 £000	31 December 2020 £000
Aerospace	**(2,673)**	12,257
Land Systems	**(8,317)**	2,225
Group Properties (including share of profit in joint ventures)	**34,431**	10,763
Fleet Solutions	**(108)**	57
Slingsby Advanced Composites	**241**	470
Skills Academy	**(312)**	(306)
Futureworx	**(1,362)**	–
Motor retail	**81,029**	14,887
Aeropeople (sold during the period)	**(34)**	(973)
Unallocated central costs	**(10,955)**	(8,920)
Total	**91,940**	30,461

Underlying profit/(loss) before separately disclosed items and before tax	31 March 2022 £000	31 December 2020 £000
Aerospace	**10,331**	15,517
Land Systems	**(8,317)**	2,380
Group Properties (including share of underlying profit in joint ventures)	**12,424**	4,453
Fleet Solutions	**(108)**	127
Slingsby Advanced Composites	**241**	608
Skills Academy	**(312)**	(306)
Futureworx	**(1,362)**	–
Motor retail	**96,827**	23,024
Aeropeople (sold during the period)	**(34)**	(973)
Unallocated central costs	**(9,004)**	(5,766)
Total	**100,686**	39,065

Notes to the consolidated financial statements

2. Revenue and profit/(loss) before tax analysis (continued)

	Revenue by destination		Revenue by origin	
Geographical areas	**31 March 2022 £000**	31 December 2020 £000	**31 March 2022 £000**	31 December 2020 £000
UK	**3,989,815**	2,329,654	**4,161,265**	2,475,942
Rest of Europe	**63,951**	55,467	**714**	1,251
North America	**54,205**	53,647	**14,125**	10,921
Rest of World	**68,133**	49,346	**–**	–
	4,176,104	2,488,114	**4,176,104**	2,488,114

The total amount of income, including revenue, recognised in the period is analysed as follows:

	31 March 2022 £000	31 December 2020 £000
Sale of goods	**3,388,119**	1,971,264
Rendering of services (including long-term contracts)	**786,288**	515,480
Rents received	**1,697**	1,370
Revenue	**4,176,104**	2,488,114
Interest received	**2,269**	1,512
Research and development expenditure credit	**479**	1,069
Other income	**3,938**	22,121
Total income	**4,182,790**	2,512,816

Revenue recognised on long-term contracts was £324,165,000 (2020: £278,421,000).

3. Separately disclosed exceptional items

	31 March 2022 £000	31 December 2020 £000
Underlying profit	**100,686**	39,064
Separately disclosed exceptional items:		
Amortisation of intangible fixed assets – franchise agreements and goodwill	**(9,065)**	(6,504)
Restructuring costs[1]	**(10,222)**	(7,731)
Contract loss provision[1, 2]	**(6,930)**	–
Intangible fixed asset impairment[1, 2]	**(4,352)**	–
Exovent ventilator development costs[2]	**–**	(801)
Covid-19 expenses[1, 2]	**(1,183)**	(1,564)
Profit on disposal of property and impairment of property[1]	**23,006**	7,996
Separately disclosed exceptional items	**(8,746)**	(8,604)
Profit before tax	**91,940**	30,460

1 Management consider these costs to be non-routine in nature.

2 Considered by management to be non-recurring.

The Group has incurred a number of exceptional material items, whose significance is sufficient to warrant separate disclosure. The key elements included within separately disclosed items are:

- charges for amortisation of acquired intangible assets relating to franchise agreements and goodwill. These charges have arisen from accounting for MMH's acquisitions in previous periods and are not directly attributable to operating activities;
- provision for losses on the completion of a major complex project;
- restructuring costs relating to a number of significant restructuring exercises across the Group;
- impairment of an ERP system as a result of implementation inefficiencies;
- as a response to the onset of the Covid-19 pandemic, costs relating to the development of the Exovent negative pressure ventilator are disclosed separately;

3. Separately disclosed exceptional items (continued)

- Covid-19 costs relating to the incremental costs of providing testing, personal protective equipment and any exceptional cleaning, sanitisation and other costs required to keep colleagues and visitors safe; and
- profit on disposal (£23,006,000; 2020: £8,269,000), or impairment charges (£nil; 2020: £273,000) relate to land, property and investment property. The most significant transaction completed during the period was the sale of land north of Cherry Hinton Road in Cambridge. The most significant transaction completed during the prior year was the sale and leaseback of an office building at The Airport, Cambridge.

The footnotes to the above table explain whether these costs are considered non-routine, non-recurring or both.

4. Other income

	31 March 2022 £000	31 December 2020 £000
Coronavirus Job Retention Scheme grant received	**–**	21,097
Research and development expenditure tax credit	**479**	1,069
Rent receivable	**191**	473
Deferred land profit	**3,519**	451
Trademark licence income	**228**	100
	4,417	23,190

The Core Group utilised the VAT Deferral Scheme enabling £4,297,000 of VAT liabilities to be repaid in instalments between March 2021 and January 2022. At the onset of the pandemic, from March 2020, PAYE liabilities were deferred but repaid in full in June 2020. The Core Group decided to utilise government support relating to the Coronavirus Job Retention Scheme, claiming £700,000, and then approved the repayment of the support in March 2021.

Deferred land profit relates to the transfer of land to the joint venture, Hill Marshall LLP ("LLP1"). Profit is recognised as homes are sold, with the increase from prior year related to the progress made on the Marleigh development.

5. Acquisitions

a) Current period

On 24 May 2021, MMH acquired the trade and assets of two Jaguar Land Rover dealerships in Cheltenham and Gloucester. On 30 June 2021, MMH acquired the trade and assets of a Nissan dealership in Leicester. These acquisitions, by extending representation with existing brands in strategically important territories, are part of MMH's stated strategy to grow further scale with existing brand partners in new geographic territories. The estimated identifiable assets and liabilities at the dates of acquisition are stated at their provisional fair values as set out below. The goodwill arising on these acquisitions is attributed to the expected synergies and benefits associated with the increased brand representation. Goodwill arising on consolidation is being amortised over the directors' estimate of its useful life of 10 years. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash-generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

The fair value of the net assets at the date of the acquisition are as set out below.

	Net book value £000	**Fair value adjustment £000**	**Fair value of net assets acquired £000**
Property, plant and equipment	7,730	(27)	7,703
Stock	3,028	–	3,028
Trade and other payables	(315)	(204)	(519)
Provisions	(125)	(125)	(250)
Deferred tax liabilities	–	(371)	(371)
Net assets acquired	10,318	(727)	9,591
Goodwill	334	1,173	1,507
Total consideration	**10,652**	**446**	**11,098**

Cash paid	10,652
Acquisition costs	446
Total consideration	**11,098**

Notes to the consolidated financial statements

5. Acquisitions (continued)

The results of these dealerships have been consolidated from the relevant date of acquisition. For the period from acquisition to 31 March 2022, the revenues and the losses before tax generated by these dealerships were immaterial. If the acquisitions had taken effect at the beginning of the reporting period in which the acquisitions occurred (1 January 2021), on a pro forma basis, the change in revenue and profit before tax for the 15 months ended 31 March 2022 would have been immaterial. Transaction costs arising on acquisitions in the period totalled £446,000. These costs have been capitalised.

On 14 October 2021, MMH acquired the entire issued share capital of Motorline Holdings Limited, a leading multi-franchise dealer group of companies headquartered in Canterbury and operating across Kent, West Sussex, Surrey, Berkshire, Bristol, South Wales and the West Midlands. This acquisition is in line with MMH's strategy, which includes growing scale with its chosen brand partners. The estimated identifiable assets and liabilities at the date of acquisition are stated at their provisional fair value as set out below. The goodwill arising on acquisition is attributed to the expected synergies and benefits associated with the increased brand representation and extends MMH's geographic footprint into a further eight counties with MMH now having representation in 37 counties in England and Wales.

	Net book value £000	Fair value adjustment £000	Fair value of net assets acquired £000
Franchise agreements	–	45,715	45,715
Property, plant and equipment	28,800	–	28,800
Stock	96,423	(3,101)	93,322
Trade and other receivables	31,414	(699)	30,715
Cash and cash equivalents	20,300	–	20,300
Trade and other payables	(140,231)	(1,406)	(141,637)
Bank loans	(8,300)	–	(8,300)
Provisions	(251)	–	(251)
Current tax liabilities	(941)	–	(941)
Deferred tax liabilities	(287)	(14,571)	(14,858)
Net assets acquired	**26,927**	**25,938**	**52,865**
Goodwill	37,073	(22,908)	14,165
Total consideration	**64,000**	**3,030**	**67,030**

Cash paid	64,000
Acquisition costs	3,030
Total consideration	**67,030**

The results of the Motorline group of companies have been consolidated into MMH's results from 14 October 2021. For the period from acquisition to 31 March 2022, the Motorline group of companies generated revenue of £425,580,000 and a loss before tax of £37,000. If the acquisition had taken effect at the beginning of the reporting period in which the acquisition occurred (1 January 2021), on a pro forma basis, the change in revenue and profit before tax of the combined Group for the 15 months ended 31 March 2022 would have been an increase of £1,108,689,000 and £10,921,000 respectively. Transaction costs arising on acquisitions in the period totalled £3,303,000. These costs have been capitalised.

Goodwill arising on consolidation is being amortised over the Directors' estimate of its useful life of 20 years. This estimate is based on a variety of factors, such as the expected use of the acquired business, the expected useful life of the cash-generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

6. Operating profit

		31 March 2022 £000	31 December 2020 £000
Operating profit is after charging/(crediting):			
Depreciation	– tangible fixed assets	**25,529**	18,511
Amortisation	– positive goodwill and intangible assets	**12,001**	7,415
Impairment	– tangible fixed assets	**4,352**	273
Operating lease rentals	– land and buildings	**1,980**	14,573
	– plant and machinery	**3,628**	1,052
Net foreign exchange gain		**(370)**	(49)
Profit on disposal of property		**(21,995)**	(8,725)
Profit on disposal of investment property		**(913)**	(148)
Loss on disposal of tangible fixed assets (excluding property)		**369**	(16)
Research and development	– current year expenditure	**2,521**	1,623
Research and development expenditure credit included in other income		**(479)**	(1,069)
Gain on revaluation of investment properties		**(623)**	(104)
Net gain on revaluation of investments		**(809)**	(1,563)
Profit on disposal of investments		**(222)**	–
Auditor's remuneration	– audit of the financial statements of the Parent Company	**745**	203
	– audit of subsidiary undertakings	**941**	542
	– review of subsidiary's interim financial statements	**39**	39
	– tax advisory fees	**–**	43

7. Net finance expenses

	31 March 2022 £000	31 December 2020 £000
(a) Finance income		
Bank interest receivable	**49**	134
Interest receivable from joint ventures	**708**	118
Other interest receivable	**15**	–
Unwind of discounting – related party debtor balances (note 16)	**948**	1,260
Unwind of discounting – deferred land debtor balances (note 16)	**549**	–
	2,269	1,512
(b) Finance expense		
Bank loans and overdrafts – interest and charges	**3,028**	2,093
Interest payable to joint ventures	**390**	526
Stock financing charges and other interest	**6,132**	5,485
Interest on defined benefit scheme liabilities	**55**	47
Present value adjustment – deferred receivable on land sale	**(91)**	604
	9,514	8,755
Net finance expenses	**7,245**	7,243

Interest payable to joint ventures relates to a Homes England infrastructure loan, which was drawn by Hill Marshall LLP on behalf of the Group to fund the construction and commissioning of the Ground Running Enclosure. The loan is secured by a fixed charge over land transferred to Hill Marshall LLP and Hill Marshall (Phase 2) LLP. The loan bears interest at 2.5% above the European Commission base rate.

Notes to the consolidated financial statements

8. Tax on profit

	31 March 2022 £000	31 December 2020 £000
a) Analysis of tax charge for the period/year		
UK corporation tax charge on the profit for the period/year	**16,974**	3,950
UK corporation tax adjustment in respect of prior years	**31**	274
Double tax relief	**–**	(9)
Overseas tax on profit for the period/year	**246**	164
Overseas tax adjustment in respect of prior years	**(5)**	(4)
Current tax charge	**17,246**	4,375
Deferred tax charge (see note 20b)	**6,923**	4,094
Total tax charge on profit	**24,169**	8,469

	31 March 2022 £000	31 December 2020 £000
b) Factors affecting the total tax charge for the period/year		
Profit before tax	**91,940**	30,460
Profit before tax at 19% (2020: 19%)	**17,469**	5,787
Effects of:		
Expenses not deductible for tax purposes	**2,716**	1,510
Overseas tax	**112**	62
Non-taxable income	**(241)**	(1,448)
Deferred tax rate change	**4,578**	2,337
Difference in rate between corporation tax and deferred tax	**(149)**	6
Utilisation of brought forward losses on which no deferred tax asset recognised	**4**	(9)
R&D enhanced claims	**(60)**	(75)
Adjustments in respect of prior years	**(260)**	280
Change in recognition of deferred tax	**–**	19
Total	**24,169**	8,469

	31 March 2022 £000	31 December 2020 £000
c) Tax included in the Statement of Other Comprehensive Income		
Taxation on cash flow hedges	**(287)**	371
Deferred tax on actuarial pension (gain)/loss	**(587)**	592
Tax (credit)/charge included in the Statement of Other Comprehensive Income	**(874)**	963

d) Factors that may affect future tax charges

Future tax charges, and therefore the Group's effective tax rate, may be affected by factors such as acquisitions, disposals, restructuring and tax regime reforms.

The standard rate of tax applied to reported profit is 19% (2020: 19%). The Finance Act 2021 increased the UK corporation tax rate from 19% to 25% with effect from 1 April 2023.

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of £707,000 (2020: £718,000) in respect of losses arising that can only be carried forward against future taxable profits in the companies in which the losses arose.

During the 12 months ending 31 March 2023, the net reversal of deferred tax assets and liabilities is expected to decrease the corporation tax charge for the period by £152,000. This is due to the anticipated change of deferred tax on fixed asset timing differences and utilisation of brought forward tax losses.

e) Close company

The Parent Company is a close company within the provisions of the Companies Act 2010.

9. Earnings per share

	31 March 2022 £000	31 December 2020 £000
Profit after taxation	**67,771**	21,991
Non-controlling interest	**(20,982)**	(3,519)
Dividends on preference shares	**(744)**	(744)
Basic earnings	**46,045**	17,728
Separately disclosed exceptional items (note 3)	**8,746**	8,604
– tax impact	**(1,041)**	(1,137)
– non-controlling interest impact	**(4,775)**	(2,523)
Impact of change of tax rate on opening deferred tax liabilities	**–**	2,337
– non-controlling interest impact	**–**	(614)
Underlying earnings	**48,975**	24,395
Weighted average number of shares in issue during the year ('000)	**59,082**	59,082
Basic and diluted earnings per share	**77.9p**	30.0p
Basic and diluted underlying earnings per share	**82.9p**	41.3p

Basic earnings per share is calculated by dividing the basic earnings for the period by the average number of Ordinary and non-voting priority dividend ordinary NVPO shares ('NVPO') in issue during the period. Ordinary and NVPO shares are considered the relevant equity shares in issue as they are subordinated to the preference shares. 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 that exclude separately disclosed exceptional items are presented to assist the understanding of the underlying performance of the Group. Underlying earnings per share is calculated by dividing the underlying earnings for the period by the average number of Ordinary and NVPO shares in issue during the period.

10. Dividends

	31 March 2022 £000	31 December 2020 £000
Dividends on Ordinary shares:		
1.0p per Ordinary share of 12.5p each paid on 9 July 2021 (10 July 2020: 1.0p)	**138**	138
3.0p per Ordinary share of 12.5p each paid on 17 December 2021 (12 December 2020: 3.0p)	**415**	415
	553	553
Dividends on NVPO shares:		
3.0p per NVPO share of 12.5p each paid on 9 July 2021 (10 July 2020: 3.0p)	**1,358**	1,358
3.0p per NVPO share of 12.5p each paid on 17 December 2021 (12 December 2020: 3.0p)	**1,358**	1,358
	2,716	2,716
Dividends on preference shares:		
8.0p per A preference share	**384**	384
10.0p per B preference share	**360**	360
	744	744
Reversal of accrual for preference dividends	**(155)**	–
Aggregate dividends declared and paid during the period/year	**3,858**	4,013

Notes to the consolidated financial statements

11. Notes to the consolidated statement of cash flows

	31 March 2022 £000	31 December 2020 £000
a) Reconciliation of profit to net cash inflow from operating activities		
Group profit before tax	**91,940**	30,460
Profit on disposal of tangible fixed assets	**(21,626)**	(8,889)
Share of profit in the year in joint venture	**(3,993)**	(428)
Profit on disposal of investment property	**(1,134)**	–
Loss on disposal of subsidiaries/businesses	**252**	–
Gain on investment properties at fair value through consolidated income statement	**(623)**	(104)
Gain on investments at fair value through consolidated income statement	**(809)**	(1,988)
Amounts provided against investments	**–**	425
Net finance charges	**7,245**	7,243
Foreign exchange movement	**1,658**	(2,376)
Depreciation of tangible fixed assets and impairment charges	**25,529**	18,784
Amortisation of intangible fixed assets and impairment charges	**16,353**	7,415
Research and expenditure credit	**(479)**	(1,069)
(Increase)/decrease in stocks	**(2,051)**	107,005
(Increase)/decrease in debtors	**(39,117)**	22,657
Increase in provisions	**3,932**	2,891
Increase/(decrease) in creditors	**12,578**	(100,293)
Share-based payment charge	**6,700**	668
Pension funding	**(1,226)**	(1,200)
UK corporation tax paid	**(18,772)**	(4,387)
Overseas tax paid	**(106)**	(195)
Net cash inflow from operating activities	**76,251**	76,619

b) Reconciliation of net cash flow to movement in net (debt)/funds	Notes	31 March 2022 £000	31 December 2020 £000
(Decrease)/increase in cash		**(13,208)**	32,347
Acquisitions – debt aquired	19	**(8,300)**	–
Cash inflow from new loans	19	**(45,602)**	(79,898)
Cash inflow from new overdrafts	19	**(1,483)**	(1,081)
Repayment of overdrafts	19	**–**	2,851
Repayment of loans	19	**34,213**	83,641
(Increase)/decrease in net (debt)/funds		**(34,380)**	37,860
Net funds/(debt) at 1 January		**12,917**	(24,943)
Net (debt)/funds at period end		**(21,463)**	12,917

11. Notes to the consolidated statement of cash flows (continued)

As explained in note 17, changes in vehicle funding agreement balances are considered to be operating cash flows.

c) Analysis of net (debt)/funds	1 January 2021 £000	Cash movement £000	Change in maturity £000	Foreign exchange £000	31 March 2022 £000
Cash at bank and in hand	43,920	(13,480)	–	272	**30,712**
Bank overdrafts	(1,081)	(1,483)	–	–	**(2,564)**
Short-term loans	(25,539)	(14,817)	1,428	–	**(38,928)**
Long-term loans	(4,383)	(4,872)	(1,428)	–	**(10,683)**
Loans and overdrafts	(31,003)	(21,172)	–	–	**(52,175)**
Net funds/(debt)	12,917	(34,652)	–	272	**(21,463)**

12. Intangible fixed assets

	Franchise agreements £000	Goodwill £000	Software £000	Total £000
Cost:				
At 31 December 2020	77,523	66,389	15,728	159,640
Opening balance adjustment	–	–	1,130	1,130
At 1 January 2021	77,523	66,389	16,858	160,770
Additions		–	6,049	6,049
Acquisitions	45,715	15,672	–	61,387
Disposals	–	(2,886)	(230)	(3,116)
At 31 March 2022	**123,238**	**79,175**	**22,677**	**225,090**
Amortisation and impairment:				
At 31 December 2020	21,909	41,685	1,995	65,589
Opening balance adjustment	–	–	1,130	1,130
At 1 January 2021	21,909	41,685	3,125	66,719
Provided during the period/year	5,799	3,266	2,936	12,001
Impairment	–	–	4,352	4,352
Disposals	–	(2,885)	(184)	(3,069)
At 31 March 2022	**27,708**	**42,066**	**10,229**	**80,002**
Net book amount:				
At 31 March 2022	**95,530**	**37,109**	**12,448**	**145,087**
Net book amount:				
At 1 January 2021	55,614	24,704	13,733	94,051

Included within software is £15,611,000 of costs relating to an ERP system that is being implemented across the Core Group. Once available for use, will be amortised over seven years. For those subsidiaries where the software is in use, amortisation of £2,417,000 has been charged to date. As a result of implementation inefficiencies, an impairment charge of £4,352,000 relating to the ERP system was made in the period.

Estimates of the useful economic life and net book value of intangible assets are based on a variety of factors such as the expected use of the intangible asset, the business plan for the use of the assets and any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar intangible assets.

Notes to the consolidated financial statements

12. Intangible fixed assets (continued)

Impairment testing

For the purpose of impairment testing, goodwill and franchise agreements acquired in a business combination are allocated to each cash-generating unit ('CGU'),or groups of CGUs, that are expected to benefit from the synergies of the combination. CGUs are assets or groups of assets. Each asset or group of assets to which the intangible assets are allocated represents the lowest level within the entity at which the intangible asset is monitored for management purposes. Impairment reviews are undertaken annually, or more frequently, if events or changes in circumstances indicate a potential impairment. Having been acquired only six months before the reporting date, the Motorline group of companies acquired in the period were excluded from the scope of the period end impairment review.

Motor retail CGUs

The recoverable amounts of all CGUs, excluding BMW, have been determined based on value in use to perpetuity calculated using a discounted cash flow approach, with a pre-tax discount rate applied to the projected, risk-adjusted, pre-tax cash flows and terminal value. Where higher, the fair value of groups of CGUs, less costs of disposal is taken as the recoverable amount.

The value in use of each CGU is calculated using cash flow projections for a five-year period: from 1 April 2022 to 31 March 2027. These projections are developed from the MMH Board-approved budget for the period ending 31 March 2023.

The key assumptions in the forecasts on which the cash flow projections are based relate to expectations of sales volumes and margins and expectations around changes in the operating cost base. The assumptions made are based on the MMH Directors' current understanding of the current macro-economic context and outlook, past experience adjusted for expected changes and external sources of information. The cash flows include ongoing capital expenditure required to maintain the MMH Group's dealership network but exclude any growth capital expenditure projects to which the MMH Group was not committed at the reporting date.

The cash flow projections have been discounted using a rate derived from the Group's pre-tax weighted average cost of capital adjusted for industry and market risk. The discount rate used is 7.2% (2020: 7.8%).

The net book values of motor retail CGUs subject to impairment testing at 31 March 2022 are as follows:

	Goodwill £000	Franchise agreements £000
Volkswagen Group	10,975	23,412
BMW/MINI	–	1,443
Jaguar Land Rover	4,355	10,350
Mercedes Benz	6,455	13,841
Other	62	2,691
	21,847	51,737

As outlined above, the CGUs acquired with current period acquisitions have been excluded from the period end impairment testing.

13. Tangible fixed assets

	Land and buildings					
	Freehold properties £000	Investment properties £000	Short leasehold £000	Plant and machinery £000	Assets under construction £000	Total £000
Cost or valuation:						
At 1 January 2021	212,636	7,276	26,535	190,102	8,020	444,569
Prior year adjustment (see below)	1,230	–	1,425	7,934	(284)	10,305
At 1 January 2021 (restated)	213,866	7,276	27,960	198,036	7,736	454,874
Additions	28,521	–	538	7,653	14,678	51,390
Additions on acquisition	25,002	–	5,985	5,516	–	36,503
Disposals	(19,730)	(1,498)	(971)	(10,412)	(687)	(33,298)
Transfers	5,773	(860)	397	1,455	(6,765)	–
Revaluation	–	623	–	–	–	623
At 31 March 2022	**253,432**	**5,541**	**33,909**	**202,248**	**14,962**	**510,092**
Depreciation:						
At 1 January 2021	42,363	–	8,855	122,262	–	173,480
Prior year adjustment (see below)	946	–	1,425	7,934	–	10,305
At 1 January 2021 (restated)	43,309	–	10,280	130,196	–	183,785
Provided during the period	4,921	–	3,890	16,718	–	25,529
Transfers	200	–	–	(200)	–	–
Eliminated on disposals	(1,036)	–	(513)	(9,175)	–	(10,724)
At 31 March 2022	**47,394**	**–**	**13,657**	**137,539**	**–**	**198,590**
Net book value:						
At 31 March 2022	**206,038**	**5,541**	**20,252**	**64,709**	**14,962**	**311,502**
Net book value:						
At 1 January 2021	170,557	7,276	17,680	67,840	7,736	271,089

Included within freehold land and buildings are costs and net book value of £8,407,000 (2020: £10,812,000), which relate to costs incurred on planning applications submitted and to be submitted. The recoverable value of the land is expected to be significantly in excess of the current carrying value.

Investment properties included in freehold land and buildings are stated at fair value with changes in fair value being recognised in the consolidated income statement. No depreciation is provided in respect of such properties in accordance with FRS 102 Chapter 16 Investment Property.

Fair value is determined by considering and making key judgements using comparable market data such as rental yields, location, condition and nature of the property. Motor retail investment properties no longer occupied by the Group were disposed of in February 2021. The remaining Group freehold investment properties have been included, using the guidance of professional advisers, at a Directors' valuation of £5,300,000 (2020: £5,777,000). Each year, the Group engages independent valuers to assist in determining fair value. A revaluation surplus of £623,000 (2020: surplus £104,000) has been taken to the consolidated income statement.

The historical cost of the investment properties held at valuation in land and buildings is £2,963,000 (2020: £2,191,000), with accumulated depreciation of £2,298,000,000 (2020: £632,000) and a net book value of £674,000 (2020: £1,559,000.

During the period, one of the investment properties has been vacated and become owner-occupied, thus ceasing to meet the definition of an investment property. To that effect, the asset has been transferred from investment properties to freehold land and buildings with the deemed cost included in freehold land and buildings being the assets fair value of £1,100,000 at the date of change in use. Additionally, a property included in freehold and building has been occupied by a third party and meets the definition of an investment property. It has therefore been transferred to investment properties at its fair value of £240,000.

There are no restrictions on the Group's ability to dispose of the investment properties or use any funds arising from the disposal. There are no contractual commitments for further development of the investment properties.

Notes to the consolidated financial statements

13. Tangible fixed assets (continued)

Prior period restatement in MMH

A prior period adjustment has been recognised in the table above to correct the treatment of certain asset disposals as previously reported in the Group's prior periods' consolidated financial statements. This error arose due to incorrect amounts being disclosed as disposals within the cost and accumulated depreciation totals. The assets to which these disposal errors related had been acquired through historic business combinations, the assets' fair values at the date of acquisition were correctly included within the cost of additions on acquisition. However, upon their eventual disposal, errors arose in the consolidation journals required to present the disposals. As a result, both cost and accumulated depreciation are understated. All assets had a £nil carrying value at the date of disposal, as such there was no impact on the carrying value of tangible fixed assets.

In order to correct the disclosures, the cost and accumulated depreciation as at 1 January 2020 has been increased by £10,305,000. Within this prior year adjustment, £284,000 has been reallocated from assets under construction cost to freehold property cost to correct a prior year allocation error.

14. Investments

Unlisted investments represent minority interests in small private companies, primarily in their 'start-up' phase.

		Unlisted investments		
	Joint ventures £000	Carried at fair value £000	Carried at cost less impairment £000	Total £000
Cost or valuation:				
At 1 January 2021	428	6,669	6,038	13,135
Additions	3,993	975	–	4,968
Transfer to fair value	–	4,973	(6,038)	(1,065)
Disposals	–	(12,265)	–	(12,265)
Fair value increase	–	809	–	809
At 31 March 2022	**4,421**	**1,161**	**–**	**5,582**
Provision:				
At 1 January 2021	–	–	1,065	1,065
Transfer to fair value	–	–	(1,065)	(1,065)
At 31 March 2022	**–**	**–**	**–**	**–**
Net book value:				
At 31 March 2022	**4,421**	**1,161**	**–**	**5,582**
Net book value:				
At 1 January 2021	428	6,669	4,973	12,070

Consistent with the requirements of FRS 102 paragraph 11.3(d)(iv) and (v), where no reliable fair value estimate can be determined for unlisted investments such investments are held at cost less impairment. During the period agreement was reached for the disposal of all unlisted investments with completions continuing past the period end. Remaining investments are carried at fair value.

Joint ventures

During 2017, the Group entered into two joint venture agreements with Hill Residential Limited. The Group has a 50% ownership of the joint venture vehicles, Hill Marshall LLP and Hill Marshall (Phase 2) LLP, which were created to enable Phases 1 and 2, respectively, of the Marleigh (formerly Wing) development. The initial capital invested was £20.

At 31 March 2022, the investment in joint ventures was £4,420,850 (2020: £428,020), representing the initial share capital of £20 and the Group's share of cumulative profits of £4,420,830 (2020: £428,000).

15. Stocks

	31 March 2022 £000	31 December 2020 £000
Raw materials, components and consumables	**21,495**	14,938
Work in progress	**9,683**	5,590
Finished goods and goods for resale	**452,159**	364,408
	483,337	384,936

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 consolidated balance sheet.

As at 31 March 2022, £412,973,000 (2020: £364,883,000) of finished goods are held under vehicle funding agreements (see note 17).

The difference between purchase price and production cost of stocks and their replacement cost is not considered material by the Directors.

16. Debtors

	31 March 2022 £000	31 December 2020 £000
Amounts falling due within one year		
Trade debtors	**99,111**	60,634
Amounts recoverable on long-term contracts	**33,654**	28,070
Amounts owed by joint ventures	**–**	12,719
Derivative financial instruments	**1,735**	371
Corporation tax recoverable	**22**	2,279
Other taxes recoverable	**121**	409
Convertible loan notes	**710**	–
Deferred land debtor	**7,407**	–
Other debtors	**44,286**	40,269
Prepayments and accrued income	**35,657**	17,516
	222,703	162,267
Amounts falling due after more than one year		
Amounts owed by joint ventures	**13,677**	19,597
Derivative financial instruments	**2,275**	849
Convertible loan notes	**1,183**	–
Deferred land debtor	**14,520**	–
	31,655	20,446
	254,359	182,713

Amounts owed by joint ventures comprise £20,595,000 (2020: £53,716,000), representing 50% of the fair value of land transferred to Hill Marshall LLP ('LLP1') and Hill Marshall (Phase 2) LLP ('LLP2'), the cost value of the remaining 50% of land transferred to LLP1 and LLP2, and £16,714,000 (2020: £3,607,000) comprising costs settled by the Company on behalf of the LLP less deferred land profit of £23,632,000 (2020: £25,007,000).

The land value balance transferred to LLP1 will attract interest at a rate of 4.75% as land payments are received by the joint venture entity. The loan of £10,276,000 (2020: £2,791,000) to cover the costs incurred on behalf of LLP1 attracts interest at a rate of 4.75%. The loan of £6,438,000 (2020: £816,000) to cover the costs incurred on behalf of LLP2 also attracts interest at a rate of 4.75% per annum.

Convertible loan notes are unsecured, non-interest bearing and are repayable in 8 equal quarterly instalments from 1 September 2022. Conversion is at the holder's discretion giving notice before each redemption date. If exercised, Loan Notes convert into Preference Shares of an unlisted UK company. Loan notes are held at cash value less any impairment, on the basis it has not been possible to reliably estimate the potential additional value that may arise on conversion.

Other debtors includes accrued supplier income of £14,805,000 (2020: £11,687,000).

Notes to the consolidated financial statements

17. Creditors: amounts falling due within one year

	31 March 2022 £000	Restated 31 December 2020 £000
Loans, overdrafts and borrowings (note 19)	**41,492**	26,620
Payments received on account	**26,702**	51,851
Trade creditors	**185,232**	117,222
Vehicle funding agreements	**412,973**	364,883
Derivative financial instruments	**322**	–
Amounts owed to joint ventures	**1,386**	3,110
Corporation tax payable	**1,970**	16
Other taxation and social security costs	**14,889**	14,453
Other creditors	**21,052**	23,659
Accruals and deferred income	**88,348**	37,113
	794,366	638,927

The Group finances the purchase of new and used vehicle inventories using vehicle funding agreements provided by various lenders, including the captive finance companies associated with brand partners. These financial agreements generally have a maturity of 90 days or less and the Group is normally required to repay amounts outstanding on the earlier of the sale of the vehicles that have been funded under the facilities or the stated maturity date.

Consistent with industry practice, principal amounts due to finance companies in respect of vehicle funding are included within trade creditors and disclosed under vehicle financing arrangements. Related cash flows are reported within cash flows from operating activities within the consolidated statement of cash flows.

Vehicle financing facilities are subject to floating interest rates linked to the Bank of England Base Rate (or equivalent finance house base rates). The interest incurred under these agreements is included within finance costs and classified as stock finance charges. The interest cash flow is reported within cash flows from financing activities within the consolidated statement of cash flows.

In the consolidated financial statements for the year ended 31 December 2020, trade creditors incorrectly included deferred income. The comparative period amounts, as previously reported, have been restated to remove £22,256,000 from trade creditors and to include these amounts within accruals and deferred income. There is no impact on the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet or consolidated statement of changes in equity.

18. Creditors: amounts falling due after more than one year

	31 March 2022 £000	31 December 2020 £000
Loans, overdrafts and borrowings (note 19)	**10,683**	4,383
Amounts owed to joint ventures	**–**	13,430
Derivative financial instruments	**345**	–
Accruals and deferred income		
– Other accruals and deferred income	**12,670**	6,392
– Other employee benefits	**1,752**	2,267
– Other post-employment benefits	**2,809**	2,841
	17,231	11,500
	28.259	29,313

Amounts owed to joint ventures relates to Homes England infrastructure loan drawn by Hill Marshall LLP, which funded the construction and commissioning of the Ground Running Enclosure. The loan is repayable in instalments commencing on the first legal completion of units and bears interest of 2.5% above the European Commission base rate.

19. Loans, overdrafts and borrowings

	31 March 2022 £000	31 December 2020 £000
Overdrafts	**2,564**	1,081
Loans	**37,500**	24,898
Mortgages	**12,111**	5,024
Total loans, overdrafts and borrowings	**52,175**	31,003

Analysis of changes in loans, overdrafts and borrowings during the year	31 March 2022 £000	31 December 2020 £000
At 1 January	**31,003**	36,516
Acquisitions – debt aquired	**8,300**	–
New loans	**45,602**	79,898
New overdrafts	**1,483**	1,081
Overdrafts repaid	**–**	(2,851)
Loans repaid	**(34,213)**	(83,641)
Total loans, overdrafts and borrowings	**52,175**	31,003

	31 March 2022 £000	31 December 2020 £000
Amounts falling due:		
Within one year – loans and overdrafts	**40,108**	25,979
Within one year – mortgages	**1,384**	641
Between two and five years – mortgages	**5,624**	2,565
More than five years – mortgages	**5,059**	1,818
	52,175	31,003
Less: included in creditors: amounts falling due within one year	**(41,492)**	(26,620)
Amounts falling due after more than one year	**10,683**	4,383

Mortgages comprise amounts borrowed from commercial financial institutions and are secured by fixed charges over specified property assets of certain subsidiaries.

Bank loans and overdrafts comprise amounts borrowed from commercial banks. The overdrafts are repayable on demand.

The Group (excluding MMH) has a revolving credit facility amounting to £75,000,000, of which £40,303,000 (2020: £24,726,000) was utilised at the period end but, as set out in note 31, has since been paid down. The facility includes access to an overdraft of £27,957,000 (2020: £23,164,000). Subject to bank approval, the revolving credit facility has an accordion option to be extended by a further £15,000,000. These facilities are available for general corporate purposes including acquisitions or working capital requirements. Interest is chargeable on the amounts drawn under the facilities at between 1.9% and 2.4% above SONIA.

The facility contains financial covenants for leverage, with a maximum 3:1 ratio, and the ratio of adjusted EBITDA to net finance charges, which shall not be less than 4:1. On 16 December 2021, Barclays and HSBC agreed to amend the terms of the facility, extending the facilities to March 2023.

The facilities are unsecured but contain cross guarantees granted by certain members of the Group, excluding MMH.

On 11 May 2022, the Group completed the sale of MMH and used the proceeds received to pay down the revolving credit facility.

MMH has access to a separate revolving credit facility of £60,000,000, of which £nil was drawn at 31 March 2022 (31 December 2020: £nil). This facility includes access to an overdraft facility of £25,000,000. This facility is available for general corporate purposes including acquisitions or working capital requirements.

All MMH's loans and borrowings are subject to floating rates of interest that are determined by reference to official market rates. MMH's various mortgages are subject to interest rates linked to bank base rates, therefore, are not impacted by the withdrawal of the LIBOR reference.

MMH's revolving credit facility paid interest linked to GBP LIBOR. On withdrawal of the LIBOR reference, the facility automatically defaulted to a synthetic GBP LIBOR reference during the transition period, with interest rates to ultimately be determined by reference to SONIA. The Group expects the affected facility to transition to alternative interest rate benchmarks by the end of 2022.

Notes to the consolidated financial statements

20. Provision for liabilities

	31 March 2022 £000	31 December 2020 £000
Dilapidations and onerous leases	**4,115**	1,964
Onerous contracts	**7,534**	4,897
Land contamination	**2,276**	2,140
Redundancy	**–**	66
Warranty	**366**	1,028
Other	**1,748**	1,511
	16,039	11,606
Deferred tax (see note 20b)	**37,322**	19,556
	53,361	31,162

(a) Provisions excluding deferred tax

	Dilapidations, and onerous leases £000	Onerous contracts £000	Land contamination £000	Redundancy £000	Warranty £000	Other £000	Total £000
At 1 January 2021	1,964	4,897	2,140	66	1,028	1,511	11,606
On acquisitions	–	–	–	–	–	251	251
Arising during the period	3,505	9,493	182	–	320	380	13,880
Amounts utilised	(788)	(6,786)	–	–	(101)	(251)	(7,926)
Amounts released	(566)	(70)	(46)	(66)	(881)	(143)	(1,772)
At 31 March 2022	**4,115**	**7,534**	**2,276**	**–**	**366**	**1,748**	**16,039**

Dilapidations and onerous leases

The Group manages its property portfolio carefully and either closes or sells sites which no longer fit with the Group's strategy. When sites are closed, or sold, provisions are made for any residual costs or commitments.

The Group operates from several leasehold premises under full repairing leases. The provision recognises that repairs are required to put the buildings back into the state of repair required under the leases. Where property commitments exist at sites that are closed or closing the Group provides for the unavoidable cost of those leases post-closure. The Group expects the majority of this provision to be fully utilised by 31 December 2029.

Onerous contract

The loss provision relates to management's best estimate of the foreseeable loss on a major contract. The provision is expected to be utilised during the following year.

Land contamination

Amounts assessed as being at least probable to require an outflow of cash to remediate contamination have been recognised as provisions. Given the nature of the activities conducted on some of the Group's properties, it is not a remote likelihood that further contamination may have arisen on certain properties. However, it is impractical to assess the financial effect, timing of any further remediation costs and possibility or any reimbursement of these items.

Redundancy provision

A redundancy provision was previously recognised in relation to costs expected to be incurred in the completion of a restructuring exercise. These costs were incurred during the period.

Warranty provision

A provision is recognised for expected warranty claims on products sold. It is expected that the warranty costs will be incurred by 31 December 2023.

Other

Other provisions include a total amount of £1,167,000 (2020: £1,167,000) in respect of the Group's estimated financial exposure under open insurance claims and for the potential output VAT payable arising from uncertain VAT treatment of specific vehicle purchases. Conclusion of these open positions is expected during the coming year.

On acquisition of the Motorline group of companies in October 2021, the Group inherited an open tax matter regarding preacquisition use of Company assets for non-business purposes by the former shareholders of the Motorline group. A provision of £251,000 had already been recognised as an estimate of underpaid tax liabilities requiring settlement on conclusion of the matter. In November 2021, the matter was closed following payment of amounts due.

20. Provision for liabilities (continued)

b) Deferred taxation liabilities/(assets)

	31 March 2022 £000	31 December 2020 £000
Accelerated capital allowances	3,499	1,105
Tax losses carried forward	(581)	(1,521)
Rolled over gains and investment properties	6,763	5,037
Deferred tax on defined benefit pension scheme	–	(881)
Deferred tax on unremitted earnings	384	326
Deferred tax arising on business combinations	34,499	15,840
Other timing differences	(7,242)	(350)
	37,322	19,556

Shown as:	31 March 2022 £000	31 December 2020 £000
Deferred tax liability	37,322	19,556

The movement in the deferred tax liability during the period/year comprises as follows:

	31 March 2022 £000	31 December 2020 £000
At 1 January	19,556	16,376
Charge to the consolidated income statement for the period/year	6,923	4,094
Acquisitions during the period/year	15,230	49
Disposals during the period/year	(55)	–
Transfer to corporation tax payable	(5,206)	–
Deferred taxation in other comprehensive income	874	(963)
At 31 December	37,323	19,556

The deferred tax charge in the Consolidated Income Statement for the period/year comprises as follows:

	31 March 2022 £000	31 December 2020 £000
Origination and reversal of timing differences	2,636	1,747
Rate change	4,577	2,337
Adjustments in respect of prior years	(290)	10
	6,923	4,094

The unrecognised deferred tax asset comprises as follows:

	31 March 2022 £000	31 December 2020 £000
Trading losses	707	718

A deferred tax asset has not been recognised for certain trading and capital losses as the Directors do not expect that they would be utilised against similar taxable profits in the foreseeable future.

Notes to the consolidated financial statements

21. Share capital

	Allotted, called up and fully paid			
	31 March 2022 No. '000	31 December 2020 No. '000	**31 March 2022 £000**	31 December 2020 £000
Ordinary shares of 12.5p each	**13,811**	13,811	**1,727**	1,727
Non-voting priority dividend ordinary shares of 12.5p each	**45,271**	45,271	**5,658**	5,658
8% irredeemable A preference shares £1 each	**4,800**	4,800	**4,800**	4,800
10% irredeemable B preference shares of £1 each	**3,600**	3,600	**3,600**	3,600
	67,482	67,482	**15,785**	15,785

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

NVPO shares rank pari passu with Ordinary shares except for the following:

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

(ii) holders of NVPO shares cannot vote at an AGM.

Rights of preference shares

(i) holders of preference shares are entitled, in priority to any discretionary dividend payable on the Ordinary shares and the NVPO shares, to non-cumulative preference dividends of 8p per share in respect of the A preference shares and 10p per share in respect of the B preference shares;

(ii) on a return of capital on a winding up, the preference shares carry the right to repayment of capital at par; this right is in priority to the rights of Ordinary and NVPO shareholders; and

(iii) holders of preference shares cannot vote at an AGM.

Right of conversion of Ordinary shares

The Ordinary shares have a limited right of conversion into NVPO shares. Any holder of Ordinary shares may, at any time during the two months immediately following the AGM each year, elect to convert Ordinary shares into NVPO shares. The rate of conversion is one NVPO share for each Ordinary share.

During the period, no Ordinary shares were converted into NVPO shares (2020: nil).

22. Other reserves

Share premium reserve

The purpose of this reserve is to show the amount subscribed for Marshall of Cambridge (Holdings) Limited's issued share capital in excess of nominal value.

Capital redemption reserve

On 2 October 1991, pursuant to a special resolution, Marshall of Cambridge (Holdings) Limited purchased 130,000 Ordinary shares of £1 each, representing 1.8% of the issued share capital of the Company at that date, for a consideration of £455,000. The purchased shares were then cancelled in accordance with Section 160(4) Companies Act 1985.

This reserve represents the nominal value of these shares.

Cash flow hedge reserve

This reserve is used to record changes in the fair value of financial instruments designated as cash flow hedges.

23. Non-controlling interest

	31 March 2022 £000	31 December 2020 £000
At 1 January	**68,636**	64,917
Non-controlling interest profit after taxation	**20,982**	3,519
Equity dividends paid by Marshall Motor Holdings plc to third parties	**(2,466)**	–
Share-based payment charge	**1,776**	200
Adjustment to equity arising from MMH shares repurchased	**(394)**	–
At 31 March/31 December	**88,534**	68,636

The Group's interest in the net assets of Marshall Motor Holdings plc on 31 March 2022 was 64.41% (31 December 2020: 64.41%).

24. Contingent liabilities

Guarantees to third parties, granted by subsidiary undertakings, amounted to £nil (2020: £nil). Performance guarantees granted by subsidiary undertakings amounted to £1,400,882 (2020: £5,784,000). The Group (excluding MMH) has access to a £75,000,000 banking facility (note 19), which contains cross guarantees granted by certain members of the Group, excluding MMH.

25. Capital commitments

	31 March 2022 £000	31 December 2020 £000
Contracted but not provided for:		
Marshall of Cambridge (Holdings) Limited – excluding MMH	**562**	2,892
Marshall Motor Holdings plc	**3,321**	4,500
	3,883	7,392

26. Other financial commitments

Operating leases – Group as lessor

The Group has entered non-cancellable operating leases, as lessor, on several of its properties included in investment property. The terms of these leases vary. Future minimum lease payments receivable for property under non-cancellable operating leases are as set out below.

	31 March 2022 £000	31 December 2020 £000
Within 1 year	**1,433**	907
Between 1 and 5 years	**4,660**	2,590
After 5 years	**2,375**	2,388
	8,468	5,885

Operating leases – Group as lessee

The Group leases several properties, equipment and vehicles under operating leases. The future aggregate minimum payments under these non-cancellable leases are set out below.

	Land and buildings		**Other**	
	31 March 2022 £000	31 December 2020 £000	**31 March 2022 £000**	31 December 2020 £000
Within 1 year	**24,647**	15,299	**1,568**	817
Between 1 and 5 years	**79,465**	47,705	**806**	712
After 5 years	**109,581**	48,931	**–**	–
	213,693	111,935	**2,374**	1,529

Notes to the consolidated financial statements

27. Financial instruments

The Group classifies its financial assets and liabilities under the following categories: fair value through the profit and loss ('FVPL'), fair value through Other Comprehensive Income ('FVOCI'), financial assets at amortised cost and financial liabilities at amortised cost. Details of the fair value valuation methods are disclosed in note 1a.

The Group uses derivatives to hedge its foreign currency risk and the fair value of the net derivative asset at 31 March 2022 was £3,688,000 (2020: £1,220,000). Changes in the fair value of cash flow hedges recognised in Other Comprehensive Income amounted to a £469,000 profit (2020: £2,442,000 loss). The cash flows from these derivatives are expected to occur on approximately a quarterly basis up until September 2025 and there is no hedge ineffectiveness arising to record in the profit and loss.

Bank loans and overdrafts include mortgages that comprise amounts borrowed from commercial financial institutions and are secured by fixed charges over specified property assets of certain subsidiaries of the MMH Group.

	31 March 2022 £000	Restated 31 December 2020 £000
Financial assets at fair value through the Profit and Loss account		
Unlisted investments carried at fair value	**1,161**	6,669
Financial assets at fair value through Other Comprehensive Income		
Forward foreign exchange contracts – cash flow hedging instruments	**4,010**	1,220
Financial assets measured at amortised cost		
Unlisted investments carried at cost less impairment	**–**	4,973
Trade debtors	**99,111**	60,634
Convertible loan notes	**1,893**	–
Amounts owed by joint ventures	**13,677**	32,316
Cash at bank and in hand	**30,712**	43,920
	145,393	141,843
Financial liabilities at fair value through Other Comprehensive Income		
Forward foreign exchange contracts – cash flow hedging instruments	**667**	–
Financial liabilities measured at amortised cost		
Bank loans and overdrafts	**(52,175)**	(31,003)
Trade creditors	**(185,232)**	(94,966)
Amounts due to joint ventures	**(1,386)**	(16,540)
Vehicle funding agreements	**(412,973)**	(364,883)
Other creditors	**(21,052)**	(23,659)
Accruals	**(77,641)**	(42,605)
	(750,459)	(573,656)

In the consolidated financial statements for the year ended 31 December 2020, the financial instruments incorrectly included deferred income. The comparative period, as previously reported, has been restated to exclude such balances which total £22,256,000 from trade creditors and £6,008,000 from accruals. There is no impact on the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet or consolidated statement of changes in equity.

28. Staff costs and Directors' emoluments

	31 March 2022 £000	31 December 2020 £000
(a) Group staff costs		
Wages and salaries	**336,773**	234,667
Social security costs	**34,886**	25,470
Other pension costs (see note 30)	**13,947**	10,025
Share-based payment charge	**6,700**	668
	392,306	270,830

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

The average monthly number of employees of the Group during the period was:

	31 March 2022 No.	31 December 2020 No.
Aerospace and defence	**1,695**	1,677
Motor retail	**5,356**	4,191
Property and head office	**67**	56
Fleet solutions	**340**	332
	7,458	6,256

		31 March 2022 £000	31 December 2020 £000
(b) Directors' remuneration			
Emoluments	– continuing	**1,630**	1,272
	– leavers	**86**	389
Long-term incentive payments	– continuing	**504**	260
Company contributions to defined contribution pension schemes	– continuing	**49**	–
Compensation for loss of office	– leavers	**–**	1,943
		2,269	3,864

One Director was a contributing member of the defined contribution pension scheme.

	31 March 2022 £000	31 December 2020 £000
Remuneration of highest paid Director		
Emoluments	**543**	389
Long-term incentive payments	**394**	–
Compensation for loss of office	**–**	1,943
	937	2,332

The Directors of the Parent Company are the Group's key management personnel defined by FRS 102. Details of their remuneration is disclosed above. The key management personal expense for the 15 months ended 31 March 2022 is £2,642,000 (2020: £4,453,000).

Notes to the consolidated financial statements

28. Staff costs and Directors' emoluments (continued)

Share-based payments

Marshall Motor Holdings plc ('MMH'), one of the Group's subsidiaries, operates an equity-settled share option scheme (the 'Performance Share Plan') for certain senior managers and Executive Directors of MMH. As at 31 March 2022, seven share grants have been awarded under the scheme being (a) IPO Performance Awards (vesting in two tranches), (b) 2016 Performance Awards, (c) 2017 Performance Awards, (d) 2018 Performance Awards, (e) 2019 Awards, (f) 2020 Awards and (g) 2021 Performance Awards.

Awards are made annually to eligible employees at the discretion of the MMH Remuneration Committee; employees receive shares at the end of the performance period, subject to the achievement of the specified underlying basic earnings per share ('EPS') performance conditions. Performance conditions are designed to incentivise senior managers and Executive Directors to maximise long-term shareholder returns. Each option grant under the scheme is disclosed separately below.

The total share-based payment charge recognised during the 15 months ended 31 March 2022 was £6,700,000 (2020: £668,000). This is split as £1,709,000 (2020: £107,000) in accruals and deferred income and £4,991,000 (2020: £561,000) in retained earnings.

If an option remains unexercised after a period of 10 years from the date of grant, the option expires. The weighted average remaining contractual life of options outstanding as at 31 March 2022 is 7.9 years (2020: 8.2 years).

The fair value of share options is determined by reference to the market value of MMH's shares at the date of grant. No valuation model is required to calculate the fair value of awards on the basis that the employees receiving the awards are entitled to receive the full value of the shares and there are no market-based performance conditions attached to the awards. The weighted average fair value of options outstanding as at 31 March 2022 is £1.85 (2020: £1.45). The fair value of options granted during the period was £2.57 (2020: £1.25). The fair value of equity-settled share options granted was based on market value on 8 September 2021 when the share options were granted.

Options are forfeited if the employee leaves MMH before the options vest.

All options issued are £nil cost options and all awards have an exercise price of £nil.

The share option scheme is in place to encourage option holders to take appropriate and timely action to maximise the long-term financial performance and success of MMH. As a result, in accordance with the discretion afforded to them under MMH's remuneration policy, the MMH Remuneration Committee regularly reviews any impact of MMH restructurings and reorganisations on incentive outcomes to ensure that performance conditions are not distorted by action taken to optimise business performance for the long-term benefit of the MMH. The MMH Remuneration Committee exercised this discretion during the current and prior periods.

In April 2021, the 2018 Performance Awards became exercisable. On 27 May 2021, all option holders exercised these options. As such, 156,114 existing Ordinary shares were acquired from the market to satisfy the exercise of these options. On exercise, the Remuneration Committee exercised its discretion to settle a proportion of the share options equal to the option holders' tax liability arising on exercise in cash rather than being cash settled. The total value of cash-settled transactions was £365,000.

In September 2020, the 2017 Performance Awards became exercisable. On 27 May 2021, all option holders exercised these options. As such, 146,385 existing Ordinary shares were acquired from the market to satisfy the exercise of these options. On exercise, the Remuneration Committee exercised its discretion to settle a proportion of the share options equal to the option holders' tax liability arising on exercise in cash rather than being cash settled. The total value of cash-settled transactions was £273,000.

No options were exercised during the year ended 31 December 2020.

As at 31 March 2022, outstanding share options were as follows:

Award	Award date	No. of shares over which options are outstanding	Exercise price	Date from which exercisable	Expiry date
2019 Awards	28 Nov 2019	**661,560**	Nil	11 May 2022	28 Nov 2029
2020 Awards	20 Aug 2020	**1,067,632**	Nil	11 May 2022	11 Mar 2030
2021 Performance Awards	8 Sep 2021	**1,299,616**	Nil	11 May 2022	10 Mar 2031

28. Staff costs and Directors' emoluments (continued)

2017 Performance Awards

The 2017 Performance Awards are subject to non-market performance conditions as detailed below, as well as the service condition of continuous employment. The options vest for achieving growth in underlying, basic EPS from 2017 to 2019; 25% vest for achieving growth of CPI plus 1% per annum and the percentage of options that vests increases on a straight-line basis up to 100% vesting for achieving growth of CPI plus 5% per annum. These performance criteria were not met due to unprecedented adverse market conditions. The MMH Remuneration Committee exercised its discretion in light of the circumstances; therefore, 50% of these options become exercisable on the third anniversary of the grant date. The options were exercised on 27 May 2021.

The 2017 Performance Awards are subject to a holding period, which starts on the grant date and ends on the fourth anniversary of the grant date.

2017 Performance Awards	31 March 2022 No.	31 March 2022 WAEP	31 December 2020 No.	31 December 2020 WAEP
Outstanding as at 1 January	**577,690**	**–**	611,373	–
Exercised during the period/year	**(293,044)**	**–**	–	–
Expired during the period/year	**(284,646)**	**–**	–	–
Forfeited during the period/year	**–**	**–**	(33,683)	–
Outstanding at 31 March/31 December	**–**	**–**	577,690	–
Exercisable at 31 March/31 December	**–**	**–**	577,690	–

2018 Performance Awards

The 2018 Performance Awards are subject to non-market performance conditions as detailed below, as well as the service condition of continuous employment. The options vest for achieving growth in underlying, basic EPS from 2017 to 2020, 25% vest for achieving growth of 1.3% per annum and the percentage of options that vests increases on a straight-line basis up to 100% vesting for achieving growth of 6% per annum. These performance criteria were not met due to unprecedented adverse market conditions. The MMH Remuneration Committee exercised its discretion in light of the circumstances; therefore, 50% of these options become exercisable on the third anniversary of the grant date. The options were exercised on 27 May 2021.

The 2018 Performance Awards are subject to a holding period that starts on the grant date and ends on the fourth anniversary of the grant date.

2018 Performance Awards	31 March 2022 No.	31 March 2022 WAEP	31 December 2020 No.	31 December 2020 WAEP
Outstanding as at 1 January	**644,760**	**–**	680,249	–
Exercised during the period/year	**(304,640)**	**–**	–	–
Expired during the period/year	**(340,120)**	**–**	–	–
Forfeited during the period/year	**–**	**–**	(35,489)	–
Outstanding at 31 March/31 December	**–**	**–**	644,760	–
Exercisable at 31 March/31 December	**–**	**–**	–	–

2019 Awards

The 2019 Awards are subject to the service condition of continuous employment. These options vest and become exercisable on change of control and ownership of the MMH Group.

2019 Awards	31 March 2022 No.	31 March 2022 WAEP	31 December 2020 No.	31 December 2020 WAEP
Outstanding as at 1 January	**668,577**	**–**	710,682	–
Granted during the period/year	**17,544**	**–**	–	–
Forfeited during the period/year	**(24,561)**	**–**	(42,105)	–
Outstanding at 31 March/31 December	**661,560**	**–**	668,577	–
Exercisable at 31 March/31 December	**–**	**–**	–	–

Notes to the consolidated financial statements

28. Staff costs and Directors' emoluments (continued)

2020 Awards

The 2020 Awards are subject to the service condition of continuous employment. These options vest and become exercisable on change of control and ownership of the MMH Group.

2020 Awards	31 March 2022 No.	31 March 2022 WAEP	31 December 2020 No.	31 December 2020 WAEP
Outstanding as at 1 January	1,035,632	–	–	–
Granted during the period/year	32,000	–	1,107,632	–
Forfeited during the period/year	–	–	(72,000)	–
Outstanding at 31 March/31 December	1,067,632	–	1,035,632	–
Exercisable at 31 March/31 December	–	–	–	–

2021 Performance Awards

The 2021 Performance Awards are subject to the service condition of continuous employment. These options vest and become exercisable on change of control and ownership of the MMH Group.

2021 Performance Awards	31 March 2022 No.	31 March 2022 WAEP	31 December 2020 No.	31 December 2020 WAEP
Outstanding as at 1 January	–	–	–	–
Granted during the period/year	1,315,180	–	–	–
Forfeited during the period/year	(15,564)	–	–	–
Outstanding at 31 March/31 December	1,299,616	–	–	–
Exercisable at 31 March/31 December	–	–	–	–

29. Related parties

	Sales to related party £000	Purchases from related party £000	Amounts due from/(to) related party £000
Entities over which the Group has significant influence			
31 March 2022	(357)	1,042	84
31 December 2020	(14)	86	(39)

The above transactions are with Marshall Motor Holdings plc and its subsidiaries.

The Group has a 50% ownership in each of the joint venture vehicles, Hill Marshall LLP ('LLP1') and Hill Marshall (Phase 2) LLP ('LLP2'), which were created to enable Phase 1 and 2 of the Marleigh (formerly Wing) development. The amounts receivable in the table below include amounts receivable from the transfer of land to LLP1 and LLP2, discounted as long-term debt, as described in note 16, resulting in a receivable of £13,677,000 (2020: £32,316,000).

The following table shows the aggregate transcations with related parties carried out during the year:

	Sales to/ (purchases from) £000	Net interest received/ (paid) £000	Amounts receivable £000	Amounts payable £000
31 March 2022				
Hill Marshall LLP	–	(202)	18,915	(1,386)
Hill Marshall (Phase 2) LLP	–	648	–	(5,238)
Equiniti Group plc	(17)	–	–	–
31 December 2020				
Hill Marshall LLP	–	(408)	18,161	(16,093)
Hill Marshall (Phase 2) LLP	–	–	11,865	–
Equiniti Group plc	(7)	–	–	(7)

29. Related parties (continued)

Terms and conditions of transactions with related parties

Sales and purchases between the Group and its related parties are made at normal market prices. Excluding the LLP's, terms of which are detailed above and in note 16, outstanding balances with these entities are unsecured, interest free and cash settlement is expected within 60 days of invoice. The Group and Parent Company have not benefited from any guarantees for any related party receivables or payables. During the period ended 31 March 2022, the Group and Parent Company have not made any provision for doubtful debts relating to amounts owed by related parties (2020: £nil).

The Directors of the Parent Company are the Group's key management personnel defined by FRS 102. The total key management personnel expense for the period ended 31 March 2022 was £2,642,000 (year ended 31 December 2020: £4,453,000).

P Yea is Chairman of Equiniti Group plc, which acts as registrar to the Company. P Yea is excluded from participation in all discussions relating to the appointment of Equiniti. Details of the transactions during the period until he resigned as a director on 30 September 2021 are shown above.

30. Pensions and other retirement benefit costs

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.

The scheme that has elements of both defined benefit and defined contribution is known as the Marshall Group Executive Pension Plan (the 'Plan'). The total pension cost for the Group for the period in respect of all defined contribution schemes in the UK was £13,537,000 (2020: £9,558,000). A further £410,000 (2020: £427,000) was paid into defined contribution schemes overseas. The total defined benefit charge for the Group in respect of the Plan was £61,000 (2020: £87,000) under FRS 102 Chapter 28, of which £14,000 (2020: £40,000) has been charged to operating profit and £47,000 (2020: £47,000) has been charged to other finance expense.

The Plan was assessed by a qualified independent actuary from Buck Consultants, as at 31 December 2019 using the projected unit method and indicated a funding deficit of £4,999,000. To address the past service deficit, the Parent Company and the Trustees agreed that the Parent Company will remove the deficit over a period of four years, by 31 December 2023. Annual instalments of £1,240,000 commenced in 2020.

The valuation of the defined benefit section of the Plan under FRS 102 Chapter 28 has been based on the actuarial valuation, updated by the actuary from Buck Consultants in order to assess the assets and the liabilities of the scheme as at 31 March 2022. The assets and liabilities shown exclude those relating to defined contribution pensions.

The major assumptions used by the actuary were:	**31 March 2022 %**	31 December 2020 %
Discount rate	**2.71**	1.32
Retail price inflation rate	**3.87**	2.98
Consumer price inflation rate	**3.37**	2.49
Pension increase rate:		
– price inflation, capped at 5.0%	**3.81**	2.98
– as above, but for those pensions subject to 3.0% floor	**3.87**	3.09
– as above, but for those pensions subject to 2.7% floor	**3.81**	3.01
– as above, but for those pensions subject to 8.5% cap	**3.87**	2.98

Life expectancy at 65	**31 March 2022 Years**	31 December 2020 Years
– for male aged 65	**24.10**	24.00
– for female aged 65	**26.80**	26.60
– for male aged 45	**25.80**	25.70
– for female aged 45	**28.20**	28.00

The post-retirement longevity assumption uses 80% of S3PMA/75% of S3PFA base tables, with CMI 2020 table with A=0.75 and 1.5% (2020: 1.5%) per annum and 1.25% (2020: 1.25%) per annum long-term improvement trend for males and females respectively (rebased to 2016). The disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date.

Notes to the consolidated financial statements

30. Pensions and other retirement benefit costs (continued)

Amounts recognised in the consolidated balance sheet are determined as follows:

	31 March 2022 £000	31 December 2020 £000
Fair value of plan assets at the end of period/year	**53,366**	52,007
Present value of defined benefit obligations at end of period/year	**(49,343)**	(56,640)
Surplus not recognised in accordance with FRS 102	**(4,023)**	–
Deficit in the scheme as at 31 March/31 December	**–**	(4,633)
Related deferred tax asset	**–**	881
Net defined benefit obligation	**–**	(3,752)

	31 March 2022 £000	31 December 2020 £000
Reconciliation of defined benefit obligations:		
Present value of obligations at start of period/year	**56,640**	52,440
Interest cost	**981**	1,023
Actuarial (gains)/losses	**(5,873)**	5,202
Benefits paid	**(2,405)**	(2,025)
Present value of obligations at end of period/year	**49,343**	56,640

	31 March 2022 £000	31 December 2020 £000
Reconciliation of fair value of assets:		
Fair value plan assets at start of period/year	**52,007**	49,455
Interest income on plan assets	**935**	976
Return on plan assets in excess of interest income	**1,602**	2,401
Contributions by the employer	**1,240**	1,240
Benefits paid	**(2,405)**	(2,025)
Administration expenses	**(14)**	(40)
Fair value of assets at end of period/year	**53,366**	52,007

	31 March 2022 £000	31 December 2020 £000
Analysis of amount charged against profit		
Administration expenses	**14**	40
Net interest on net defined benefit liability	**47**	47
Total expense recognised in the consolidated income statement	**61**	87

	31 March 2022 £000	31 December 2020 £000
Analysis of amount credited/(charged) against other comprehensive income:		
Remeasurement gain/(loss) recognised on defined benefit pension scheme	**3,462**	(2,801)
Deferred tax (charge/credit relating to defined benefit pension scheme	**(587)**	592
	2,875	(2,209)

30. Pensions and other retirement benefit costs (continued)

	Value £000	31 March 2022	Value £000	31 December 2020
Breakdown of value of plan assets				
UK equities	**3,347**	**6.27%**	5,193	9.99%
Overseas equities	**12,624**	**23.66%**	20,748	39.89%
Property	**8,818**	**16.52%**	7,142	13.73%
Insight Broad Opportunities Fund	**5,205**	**9.75%**	6,811	13.10%
Index-linked gilts	**–**	**0.00%**	3,688	7.09%
Corporate bonds	**2,291**	**4.29%**	2,896	5.57%
Private corporate debt	**3,005**	**5.63%**	2,654	5.10%
LDI	**5,783**	**10.84%**	–	0.00%
Cash and net current assets	**11,408**	**21.38%**	1,156	2.22%
Insured pensions	**885**	**1.66%**	1,719	3.31%
Total fair value of plan assets	**53,366**	**100.00%**	52,007	100.00%

The five-year history of experience adjustments is as follows:	March 2022 £000	2020 £000	2019 £000	2018 £000	2017 £000
Experience adjustments on scheme assets	**1,602**	2,401	3,572	(1,536)	2,829
Experience adjustments on scheme liabilities	**1,011**	(149)	50	(1,470)	432
Changes in assumption	**4,863**	(5,053)	(3,701)	2,346	2,501
Adjustment excluding interest in accordance with the limit in FRS 102 paragraph 28.22	**(4,014)**	–	–	–	–
Total recognised in other comprehensive income	**3,462**	(2,801)	(79)	(660)	5,762
Fair value of scheme assets	**53,366**	52,007	39,385	38,764	36,975
Present value of scheme liabilities	**(49,343)**	(56,640)	(49,245)	(51,097)	(54,485)
Surplus not recognised in accordance with FRS 102	**(4,023)**	–	–	–	–
Deficit in the scheme	**–**	(4,633)	(9,860)	(12,333)	(17,510)

Through the defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility – the Plan assets holds 80% growth assets and these will not provide a match to the movement in the discount rate. Consequently, the difference in the values of the assets and liabilities may be quite volatile.

Inflation risk – the majority of benefits are linked to inflation and so increases in inflation will lead to higher liabilities (although, in most cases, there are caps in place that protect against extreme inflation).

Life expectancy – increases in life expectancy will increase Plan liabilities, the inflation linkage of the benefits results in a higher sensitivity to increases in life expectancy.

31. Post-balance sheet events

On 29 November 2021, the Group announced its intention to sell its 64% controlling interest in MMH to Constellation Automotive Group. This transaction completed after the period end, on 11 May 2022, with proceeds of circa £202m being received. The contribution of MMH to the results for the periods presented is shown in note 2. As a result of this disposal, a Special Ordinary dividend of 76.0p was paid to both Ordinary and NVPO shareholders on 7 October 2022 and the Core Group's revolving credit facility was repaid in full.

After the period end, a contract price adjustment was agreed in relation to the early retirement of the UK C-130 fleet. This will compensate Marshall Aerospace for the loss of work and recovery of committed overhead costs over the next years.

Company balance sheet

As at 31 March 2022

	Notes	**31 March 2022 £000**	31 December 2020 £000
Fixed assets			
Intangible fixed assets	7	**2,883**	749
Tangible fixed assets	8	**498**	159
Investments	9	**45,978**	56,458
Total fixed assets		**49,359**	57,366
Current assets			
Debtors			
– Amounts falling due within one year	10	**57,956**	27,171
– Amounts falling due after more than one year	10	**1,183**	–
Cash at bank and in hand		**7,814**	6,518
		66,953	33,689
Creditors: amounts falling due within one year	12	**(55,523)**	(35,244)
Net current assets/(liabilities)		**11,430**	(1,555)
Total assets less current liabilities		**60,789**	55,811
Creditors: amounts falling due after more than one year	13	**(4,561)**	(5,108)
Net assets before pension liability		**56,228**	50,703
Pension liability	14	**–**	(4,633)
Net assets		**56,228**	46,070
Capital and reserves			
Called-up share capital	15	**15,785**	15,785
Share premium		**611**	611
Capital redemption reserve	17	**130**	130
Profit and loss account		**39,702**	29,544
Shareholders' funds and total capital employed		**56,228**	46,070

The profit for the financial period dealt with in the financial statements of the Parent Company was £11,141,000 (2020: loss £2,163,000).

The Company financial statements were approved by the Board of Directors and authorised for issue on 25 November 2022. They were signed on its behalf by:

D. J. Baxter
Director

Company statement of changes in equity

	Share capital £000	Share premium £000	Capital redemption reserve £000	Profit and loss account £000	Total £000
At 1 January 2020	15,785	611	130	37,929	54,455
Loss for the financial year	–	–	–	(2,163)	(2,163)
Other comprehensive expense	–	–	–	(2,209)	(2,209)
Total comprehensive expense for the year	–	–	–	(4,372)	(4,372)
Equity dividends paid (note 5)	–	–	–	(4,013)	(4,013)
At 31 December 2020	15,785	611	130	29,544	46,070
Profit for the financial period	–	–	–	11,141	11,141
Other comprehensive income	–	–	–	2,875	2,875
Total comprehensive income for the period	–	–	–	14,015	14,016
Equity dividends paid (note 5)	–	–	–	(3,858)	(3,858)
At 31 March 2022	**15,785**	**611**	**130**	**39,702**	**56,228**

Notes to the Company financial statements

1. Statement of compliance

Marshall of Cambridge (Holdings) Limited is a private company limited by shares incorporated in England and Wales. The registered office is Airport House, The Airport, Cambridge, CB5 8RY.

The Company's financial statements have been prepared in compliance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" as it applies to the financial statements of the Company for the 15 months ended 31 March 2022.

2. Basis of preparation

The financial statements of Marshall of Cambridge (Holdings) Limited were authorised for issue by the Board of Directors on 25 November 2022. The financial statements have been prepared in accordance with applicable accounting standards. They have been prepared in sterling, which is the functional currency of the Company and are rounded to the nearest £'000.

The Company is included within the consolidated financial statements of Marshall of Cambridge (Holdings) Limited.

Going concern

Treasury arrangements

The Company participates in the Group treasury arrangements of Marshall of Cambridge (Holdings) Limited ('MCH'). Under this arrangement, it has access to and shares banking arrangements and facilities with the subsidiary undertakings.

The Group's business activities, together with the factors likely to affect its future development, performance and position are described within the Group Strategic Report on pages 8 to 47. Included within this, the financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 26 and 27, whilst the principal risks and uncertainties facing the Group are set out in the Group Strategic Report and specifically on pages 31 to 35.

Based on this assessment, the Directors have adopted the going concern basis in preparing the financial statements, subject to the risks and uncertainties described in this section.

At 31 March 2022, the Company reported net current assets of £11,430,000 (2020: liabilities £1,555,000).

The Directors have considered whether the Company is able to meet its liabilities as they fall due and is a going concern. The Directors have prepared a formal Group going concern assessment, including the impact of certain reasonably possible adverse scenarios, which concludes the Group is forecast to be able to meet its liabilities as they fall due for the relevant going concern period.

The MCH Directors' assessment includes circa £202m cash receipt, received in May 2022, following MCH selling its interest in Marshall Motor Holdings plc.

On this basis, the Directors of the Company have concluded that no material uncertainty exists that may cast significant doubt about the ability of MCH Group to continue as going concern for at least 12 months from the approval of these financial statements.

Exemptions adopted

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with. The Company has taken advantage of the following disclosure exemptions under FRS 102 reduced disclosure framework:

a. The requirements of Section 7, Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);

b. The requirements for certain financial instrument disclosures;

c. The requirements of Section 26, Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and

d. The requirements of Section 33, Related Party Disclosures paragraph 33.7.

Company profit/(loss)

As permitted under section 408 of the Companies Act 2006, the Company has elected to neither present a Company Income Statement nor a Company Statement of Comprehensive Income. The profit for the financial period in the financial statements of the Parent Company was £11,141,000 (2020: loss £2,163,000) and other comprehensive income was £2,874,000 (2020: expense £2,209,000).

3a. Accounting policies

Except where disclosed otherwise in this note, the accounting policies adopted in the preparation of the Company financial statements are consistent with those applied when preparing the consolidated financial statements. Details of the policies are disclosed on pages 96 to 109.

Investments

In the Parent Company financial statements, investments in subsidiaries are valued at cost less impairment.

Foreign currencies

Parent Company

Transactions in foreign currencies are initially recorded in functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the Income Statement.

3b. Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The Directors have determined that there are no judgements that require disclosure in the financial statements and have identified the following estimates.

Unlisted investments

Please refer to note 1 of the consolidated financial statements.

Impairment of subsidiary investments

Where there are indicators of impairment of investments, the Company compares the carrying value of the asset with its recoverable amount, represented by the higher of its value in use and net realisable value. The key judgements relate to management's assessment of whether indicators of impairment are present.

Pensions

The liability recognised in the balance sheet in respect of the Marshall of Cambridge (Holdings) Limited Group's retirement benefit obligations represents the liability of the Group's defined benefit pension after deduction of the fair value of related assets. The scheme liability is derived by estimating the ultimate cost of benefits payable by the scheme and reflecting the discounted value of the proportion accrued by the period end in the balance sheet. In order to arrive at these estimates, a number of key financial and non-financial assumptions are made by management, changes to which could have a material impact upon the net deficit and also the net cost recognised in the Income Statement.

The principal assumptions relate to the rate of inflation, mortality and the discount rate. Over the longer term, rates of inflation can vary significantly.

The overall benefit payable by the scheme will also depend upon the length of time that members of the scheme live; the longer they remain alive, the higher the cost of the pension benefits to be met by the scheme. Assumptions are made regarding the expected lifetime of the scheme members based upon recent national experience. However, given the advancement in medical science, it is uncertain whether these assumptions will prove to be accurate in practice.

The rate used to discount the resulting cash flows is equivalent to the market yield at the balance sheet date on AA rated corporate bonds with a similar duration to the scheme liabilities. This rate is potentially subject to significant variation. The net cost recognised in the Income Statement is also affected by the return on the scheme's assets.

The gross amount of assets that are measured at fair value total £53,366,000 (2020: £52,007,000) and gross liabilities are £49,343,000 (2020: £56,640,000), resulting in a net surplus of £4,024,000, which has not been recognised (2020: liability £4,633,000).

4. Auditor remuneration

The auditor's remuneration for audit services was £30,000 (2020: £23,000). The Company also paid £715,000 (2020: £112,000) for the audit of the consolidated financial statements of the Group.

5. Equity dividends

Dividends on Ordinary shares:	**31 March 2022 £000**	31 December 2020 £000
1.0p per Ordinary share of 12.5p each paid on 9 July 2021 (10 July 2020: 1.0p)	**138**	138
3.0p per Ordinary share of 12.5p each paid on 17 December 2021 (12 December 2020: 3.0p)	**415**	415
	553	553
Dividends on NVPO shares:		
3.0p per NVPO share of 12.5p each paid on 9 July 2021 (10 July 2020: 3.0p)	**1,358**	1,358
3.0p per NVPO share of 12.5p each paid on 17 December 2021 (12 December 2020: 3.0p)	**1,358**	1,358
	2,716	2,716
Dividends on preference shares:		
8.0p per A preference share	**384**	384
10.0p per B preference share	**360**	360
	744	744
Reversal of accrual for preference dividends	**(155)**	–
Aggregate dividends declared and paid during the period/year	**3,858**	4,013

Notes to the Company financial statements

6. Staff costs and Directors' emoluments

	31 March 2022 £000	31 December 2020 £000
(a) Staff costs		
Wages and salaries	**8,508**	7,171
Social security costs	**990**	963
Other pension costs	**443**	237
	9,941	8,371

The average number of employees during the period was 62 (2020: 51).

(b) Directors' emoluments

Details of the Directors' emoluments are set out in note 28 of the consolidated financial statements.

7. Intangible fixed assets

	Software Total £000
Cost:	
At 1 January 2021	749
Additions	2,278
At 31 March 2022	**3,027**
Amortisation:	
At 1 January 2021	–
Provided during the period	144
At 31 March 2022	**144**
Net book value:	
At 31 March 2022	**2,883**
Net book value:	
At 1 January 2021	749

8. Tangible fixed assets

	Plant and machinery £000	Motor vehicles £000	Total £000
Cost:			
At 1 January 2021	641	66	707
Additions	448	–	448
Disposals	(8)	–	(8)
At 31 March 2022	**1,081**	**66**	**1,147**
Depreciation:			
At 1 January 2021	482	66	548
Provided during the period	106	–	106
Disposals	(5)	–	(5)
At 31 March 2022	**583**	**66**	**649**
Net book value:			
At 31 March 2022	**498**	**–**	**498**
Net book value:			
At 1 January 2021	159	–	159

9. Investments

	Subsidiary undertakings £000	Unlisted investments: Carried at fair value £000	Unlisted investments: Carried at cost less impairment £000	Total £000
Cost or valuation:				
At 1 January 2021	46,050	6,669	6,038	58,757
Additions	1	975	–	976
Transfer to fair value	–	4,973	(6,038)	(1,065)
Disposals	–	(12,265)	–	(12,265)
Fair value movement	–	809	–	809
At 31 March 2022	**46,051**	**1,161**	**–**	**47,212**
Provision:				
At 1 January 2021	1,234	–	1,065	2,299
Transfer to fair value	–	–	(1,065)	(1,065)
At 31 March 2022	**1,234**	**–**	**–**	**1,234**
Net book value:				
At 31 March 2022	**44,817**	**1,161**	**–**	**45,978**
Net book value:				
At 1 January 2021	44,816	6,669	4,973	56,458

The Company's indirect 50% interest in two joint venture partnerships is held by Marshall Group Properties Limited. The registered address of the joint venture Hill Marshall LLP is The Power House, Gunpowder Mill, Powdermill Lane, Waltham Abbey, Essex, EN9 1BN. The registered address for Hill Marshall (Phase 2) LLP is Airport House, The Airport, Cambridge, CB5 8RY.

The Company's direct investments in subsidiary undertakings at 31 March 2022 are shown below.

	Proportion held %	Nominal value £	Ordinary shares No.	Principal activity	Cost £000
Marshall ADG Limited	100%	1.00	14,001,000	Holding company	14,001
MGPH Limited	100%	1.00	500,000	Property holding	1,734
Marshall Motor Holdings plc	64%	0.64	50,390,625	Motor retail	30,268
Marshall Fleet Solutions Limited	100%	1.00	12,000	Holding company	20
The Cambridge Aero Club Limited	100%	1.00	5,000	Flying instruction & aircraft charter	17
Marshall Group Properties Limited	100%	1.00	10,000	Farming and property holding	10
Marshall of Cambridge (Engineering) Limited	100%	1.00	100	Dormant	–
					46,050

The registered office for the subsidiaries listed above is Airport House, The Airport, Cambridge, CB5 8RY.

Notes to the Company financial statements

9. Investments (continued)

Other wholly owned subsidiary undertakings are detailed below:

Name of Undertaking	Country of incorporation	Registered office
Aeroacademy Limited	England and Wales	Cambridge**
Marshall of Cambridge Aerospace Limited	England and Wales	Cambridge**
Marshall Middle East Limited	England and Wales	Cambridge**
Slingsby Holdings Limited	England and Wales	Cambridge**
Marshall Land Systems Limited	England and Wales	Cambridge**
Marshall Aerospace Canada, Inc.	Canada	30470 Approach Drive, Abbortsfor, BC V2T 6HS, Canada
Marshall Aerospace Netherlands B.V.	Netherlands	Haagse Schouwweg BM, 2332KG Leiden, Netherlands
Marshall Aerospace and Defence France SAS	France	6 place de la Madeleine 75008 Paris
Marshall Specialist Vehicles Limited	England and Wales	Cambridge**
Slingsby Advanced Composites Limited	England and Wales	Cambridge**
Marshall Tail Lift Limited	England and Wales	Cambridge**
Marshall Thermo King Limited	England and Wales	Cambridge**
Marshall Norway AS	Norway	Hangarveien 21, 3241 Sandefjord, Norway
Marshall of Cambridge (Airport Properties) Limited	England and Wales	Cambridge**
CMG 2007 Limited*	England and Wales	Cambridge**
Marshall Commercial Vehicles Limited	England and Wales	Cambridge**
Marshall Motor Group Limited	England and Wales	Cambridge**
Marshall North West Limited	England and Wales	Cambridge**
Marshall of Cambridge (Garage Properties) Limited	England and Wales	Cambridge**
Marshall of Ipswich Limited*	England and Wales	Cambridge**
Marshall of Peterborough Limited*	England and Wales	Cambridge**
Marshall of Scunthorpe Limited*	England and Wales	Cambridge**
Marshall of Stevenage Limited*	England and Wales	Cambridge**
S.G. Smith Holdings Limited	England and Wales	Cambridge**
Silver Street Automotive Limited	England and Wales	Cambridge**
Audi South West Limited	England and Wales	Cambridge**
Tim Brinton Cars Limited*	England and Wales	Cambridge**
Exeter Trade Parts Specialists LLP*	England and Wales	Cambridge**
Ridgeway Garages (Newbury) Limited	England and Wales	Cambridge**
Hanjo Russell Limited	England and Wales	Cambridge**
Astle Limited*	England and Wales	Cambridge**
Crystal Motor Group Limited*	England and Wales	Cambridge**
S.G. Smith Trade Parts Limited*	England and Wales	Cambridge**
S.G. Smith (Motors) Beckenham Limited*	England and Wales	Cambridge**
S.G. Smith (Motors) Crown Point Limited*	England and Wales	Cambridge**
S.G. Smith (Motors) Croydon Limited*	England and Wales	Cambridge**
S.G. Smith (Motors) Limited*	England and Wales	Cambridge**
S.G. Smith (Motors) Sydenham Limited*	England and Wales	Cambridge**
S.G. Smith (Motors) Forest Hill Limited*	England and Wales	Cambridge**
Prep-Point Limited*	England and Wales	Cambridge**
S.G. Smith Automotive Limited*	England and Wales	Cambridge**
Pentagon Limited	England and Wales	Cambridge**
Pentagon South West Limited	England and Wales	Cambridge**
Ridgeway TPS Limited	England and Wales	Cambridge**
Ridgeway Bavarian Limited	England and Wales	Cambridge**

Name of Undertaking	Country of incorporation	Registered office
Wood in Hampshire Limited	England and Wales	Cambridge**
Wood of Salisbury Limited	England and Wales	Cambridge**
Motorline Holdings Limited	England and Wales	Cambridge
Motorline Limited	England and Wales	Cambridge
Motorline (Broad Oak) Limited	England and Wales	Cambridge
Motorline (Canterbury) Limited	England and Wales	Cambridge
Motorline (Kent) Limited	England and Wales	Cambridge
Motorline TPS Limited	England and Wales	Cambridge
Driveline Limited	England and Wales	Cambridge
Dealcairn Limited	England and Wales	Cambridge
Motorline (UK) LLP	England and Wales	Cambridge

* Subsidiaries for which exemption from audit by virtue of s479A of the Companies Act 2006 has been taken for the period ended 31 December 2021.

** The registered office for these companies is Airport House, The Airport, Cambridge, CB5 8RY.

All of the above subsidiaries are included in the consolidated financial statements.

10. Debtors

	31 March 2022 £000	31 December 2020 £000
Amounts falling due within one year		
Trade debtors	**153**	3
Amounts owed by subsidiary undertakings	**53,488**	24,841
Corporation tax recoverable	**326**	–
Other taxes recoverable	**658**	–
Convertible loan notes	**710**	–
Prepayments and accrued income	**1,406**	712
Deferred tax asset (note 11)	**1,215**	1,615
	57,956	27,171
Amounts falling due after more than one year		
Convertible loan notes	**1,183**	–
	1,183	–
	59,139	27,171

Throughout the 12 months ended 31 December 2021, where an amount owed by subsidiary undertakings relates to the Group treasury arrangement, interest is charged at the Bank of England base rate plus 0.25%. From 1 January 2022, interest is being charged at the Bank of England base rate plus 3%.

Convertible Loan Notes are unsecured, non-interest bearing and are repayable in 8 equal quarterly instalments from 1 September 2022. Conversion is at the holder's discretion, giving notice before each redemption date. If exercised, Loan Notes convert into Preference shares of an unlisted UK company. Loan Notes are held at cash value less any impairment on the basis it has not been possible to reliably estimate the potential additional value that may arise on conversion.

Notes to the Company financial statements

11. Deferred tax asset

The movement in the deferred tax asset during the period was:

	31 March 2022 £000	31 December 2020 £000
At 1 January	**1,615**	1,340
Credit to the consolidated income statement for the period/year	**187**	(317)
Deferred taxation in other comprehensive income	**(587)**	592
At 31 March/31 December	**1,215**	1,615

The deferred tax asset provided in the financial statements comprises as follows:

	31 March 2022 £000	31 December 2020 £000
Accelerated capital allowances	**24**	43
Defined benefit pension scheme	**–**	881
Other timing differences	**1,191**	691
	1,215	1,615

The deferred tax credit in the consolidated income statement for the period/year comprises as follows:

	31 March 2022 £000	31 December 2020 £000
Origination and reversal of timing differences	**(142)**	(486)
Rate change	**255**	105
Adjustments in respect of prior years	**74**	64
	187	(317)

The unrecognised deferred tax asset comprises as follows:

	31 March 2022 £000	31 December 2020 £000
Trading losses	**553**	376

A deferred tax asset has not been recognised for certain trading losses as the Directors do not expect that they would be utilised against similar taxable profits in the foreseeable future.

12. Creditors: amounts falling due within one year

	31 March 2022 £000	31 December 2020 £000
Loans and overdrafts	**47,389**	24,898
Trade creditors	**446**	336
Amounts owed to subsidiary undertakings	**1,481**	6,047
Other taxation and social security costs	**–**	15
Accruals and deferred income	**6,207**	3,948
	55,523	35,244

For the period from 1 January 2021 to 31 December 2021, where an amount owed to subsidiary undertakings relates to the Group treasury arrangement, interest was charged at the Bank of England base rate plus 0.1%. For periods after 1 January 2022, the amount charged was at the Bank of England base rate plus 3.0%.

Details in relation to loans and overdrafts can be found in note 19 of the consolidated financial statements.

13. Creditors: amounts falling due after one than one year

	31 March 2022 £000	31 December 2020 £000
Accruals and deferred income:		
Other employee benefits	**1,752**	2,267
Other post employment benefits	**2,809**	2,841
	4,561	5,108

14. Pensions

Details of the Company pension schemes are disclosed in note 30 of the consolidated financial statements.

15. Share capital

	31 March 2022 No. '000	31 December 2020 No. '000	31 March 2022 £000	31 December 2020 £000
Ordinary shares of 12.5p each	**13,811**	13,811	**1,727**	1,727
Non-voting priority dividend ordinary shares of 12.5p each	**45,271**	45,271	**5,658**	5,658
8% irredeemable A preference shares £1 each	**4,800**	4,800	**4,800**	4,800
10% irredeemable B preference shares of £1 each	**3,600**	3,600	**3,600**	3,600
	67,482	67,482	**15,785**	15,785

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

NVPO shares rank pari passu with Ordinary shares except for the following:

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

(ii) holders of NVPO shares cannot vote at an AGM.

Rights of preference shares

(i) holders of preference shares are entitled, in priority to any discretionary dividend payable on the Ordinary shares and the NVPO shares, to non-cumulative preference dividends of 8p per share in respect of the A preference shares and 10p per share in respect of the B preference shares;

(ii) on a return of capital on a winding up, the preference shares carry the right to repayment of capital at par; this right is in priority to the rights of Ordinary and NVPO shareholders; and

(iii) holders of preference shares cannot vote at an AGM.

Right of conversion of Ordinary shares

The Ordinary shares have a limited right of conversion into NVPO shares. Any holder of Ordinary shares may, at any time during the two months immediately following the AGM each year, elect to convert Ordinary shares into NVPO shares. The rate of conversion is one NVPO share for each Ordinary share.

During the 15 months ended 31 March 2022, holders of nil Ordinary shares converted them into NVPO shares (2020: nil).

Notes to the Company financial statements

16. Related parties

	Dividends received from/(to) related party £000	Sales to related party £000	Purchases from related party £000	Amounts due from/(to) related party £000
Entities over which the Group has significant influence				
15 months ended 31 March 2022/As at 31 March 2022	**–**	**11**	**(52)**	**–**
Year ended 31 December 2020/As at 31 December 2020	–	–	(50)	(10)

The above transactions are with Marshall Motor Holdings plc and its subsidiaries.

The Company has an indirect 50% ownership in each of the joint venture vehicles, Hill Marshall LLP ('LLP1') and Hill Marshall (Phase 2) LLP ('LLP2'), which were created to enable Phase 1 and 2 of the Marleigh (formerly Wing) development. The amounts receivable in the table below include amounts receivable from the transfer of land to LLP1 and LLP2, discounted as long-term debt, as described in note 16 of the consolidated financial statements, resulting in a receivable of £32,316,000 (2020: £32,316,000).

The following table shows the aggregate transcations with related parties carried out during the year:

	Sales to/ (purchases from) £000	Net interest received/ (paid) £000	Amounts receivable £000	Amounts payable £000
15 months ended 31 March 2022/As at 31 March 2022				
Hill Marshall LLP	**–**	**(202)**	**18,915**	**(1,386)**
Hill Marshall (Phase 2) LLP	**–**	**648**	**–**	**(5,238)**
Year ended 31 December 2020/As at 31 December 2020				
Hill Marshall LLP	–	(408)	20,004	(16,540)
Hill Marshall (Phase 2) LLP	–	–	12,312	–
Equiniti Group plc	(33)	–	–	–

Terms and conditions of transactions with related parties

Sales and purchases between the Company and its related parties are made at normal market prices. Excluding the LLPs, terms of which are detailed above and in note 16 of the consolidated financial statements, outstanding balances with these entities are unsecured, interest free and cash settlement is expected within 60 days of invoice. The Company have not benefited from any guarantees for any related party receivables or payables. During the period ended 31 March 2022, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2020: £nil).

The Directors of the Company are the Company's key management personnel defined by FRS 102.

17. Reserves

Profit and loss reserve

The profit and loss reserve represents the cumulative profit or losses, net of dividends paid and other adjustments. £39,702,000 (2020: £27,556,000) of the profit and loss reserve is distributable and £nil (2020: £1,988,000) is non-distributable.

Capital redemption reserve

On 2 October 1991, pursuant to a special resolution, Marshall of Cambridge (Holdings) Limited purchased 130,000 Ordinary shares of £1 each, representing 1.8% of the issued share capital of the Company at that date, for a consideration of £455,000. The purchased shares were then cancelled in accordance with Section 106(4) Companies Act 1985.

18. Contingent liabilities

The Company's subsidiaries' year end is 31 December, and the Company issued letters of support to some of its subsidiaries for the year ended 31 December 2021. A number of these subsidiaries have contingent liabilities included in their financial statements, which are summarised in note 24 of the consolidated financial statements. Some of these subsidiaries have net current liabilities that total £9,596,000 (2020: £4,761,000) and net liabilities of £8,916,000 (2020: £4,997,000).

19. Other financial commitments

The Company leases several vehicles, including service contracts under operating leases. The future aggregate minimum payments under these non-cancellable leases are set out below.

	31 March 2022 £000	31 December 2020 £000
Within 1 year	**22**	43
Between 1 and 5 years	**19**	–
	41	43

20. Capital commitments

	31 March 2022 £000	31 December 2020 £000
Authorised by the Board and contracted but not provided for	**281**	1,100

21. Post-balance sheet events

On 29 November 2021, the Company announced its intention to sell its 64% controlling interest in MMH to Constellation Automotive Group. This transaction completed after the period end, on 11 May 2022, with proceeds of circa £202m being received. As a result of this disposal, a Special Ordinary dividend of 76.0p was paid to both Ordinary and NVPO shareholders on 7 October 2022 and the Core Group's revolving credit facility was repaid in full.

On the 27 May 2022, Marshall of Cambridge Aerospace Limited, Marshall Land Systems and Marshall Thermo King Limited sought and were granted forgiveness to repay respectively, £28m, £9m and £9m of intercompany funding liabilities from the Company.

On the 17 November 2022, in order to enable the Marshall Group Executive Pension Plan (the "Plan") to enter into a buy-in contract with a third party, the Company lent £3.0m to the Plan on a short term, arm's length, basis.

Recent financial history

	12 months 31 December 2017 £000	12 months 31 December 2018 £000	12 months 31 December 2019 £000	12 months 31 December 2020 £000	**15 months 31 March 2022 £000**
Revenue	2,603,602	2,483,942	2,488,114	2,488,114	**4,176,104**
Operating profit – restated	35,485	43,667	37,275	37,275	**95,192**
Share of profit in the year in joint ventures	–	–	–	428	**3,993**
Net finance expenses	(8,858)	(5,710)	(7,243)	(7,243)	**(7,245)**
Profit before tax – restated	26,627	37,957	30,032	30,460	**91,940**
Shown as:					
Underlying profit before tax – restated	28,143	36,038	38,004	32,560	**100,686**
Separately disclosed exceptional items – restated	(1,516)	1,919	(7,972)	(2,100)	**(8,746)**
Taxation – restated	698	(9,473)	(8,469)	(8,469)	**(24,169)**
Profit after tax – restated	27,325	28,484	21,563	21,991	**67,771**
Non-controlling interest – restated	(14,951)	(1,987)	(3,519)	(3,519)	**(20,982)**
Profit for the financial year – restated	12,374	26,497	18,044	18,472	**46,789**
Dividends per Ordinary share paid and proposed for the year	4.0p	4.0p	1.0p	7.0p	**1.0p**
Dividends per NVPO share paid and proposed for the year	6.0p	6.0p	3.0p	9.0p	**3.0p**
Dividend cover for ordinary and NVPO shares	3.6p	7.9p	11.0p	3.5p	**14.8p**
Underlying earnings per share – restated	31.8p	35.9p	41.3p	41.3p	**82.9p**
Net funds/(debt)	5,917	(2,397)	(24,943)	12,917	**(21,462)**
Movement in net funds/(debt)	128,071	(8,314)	(22,546)	37,860	**(34,379)**
Capital expenditure, acquisitions, investment and disposals (net)	(13,156)	40,509	73,865	27,167	**(86,116)**
Net current assets/(liabilities)	834	(11,245)	(27,358)	(27,358)	**(25,959)**
Capital employed – restated	230,690	251,090	270,556	284,744	**354,592**
Return on average capital employed – restated	12.3%	15.8%	10.4%	11.0%	**28.8%**

Shareholder information

Registered office and trading address
Marshall of Cambridge (Holdings) Limited
Airport House
The Airport
Cambridge
CB5 8RY

Registration details
Registered in England and Wales
Company Number 2051460

Group Company Secretary
Sarah Moynihan

Financial reports

Copies of this annual report will be published on the Group website www.marshallgroup.co.uk. Printed copies can be requested by writing to the Company Secretary at the registered office or direct by email to the enquiry email address.

Share dealing

Non-voting priority ordinary shares ('NVPOs') and A and B preference shares can be bought and sold using our exclusive arrangement with James Sharp & Co, an independent stockbroker, which can be contacted at the address below:

James Sharp & Co
The Exchange
5 Bank Street
Bury
Lancashire
BL9 0DN
Tel: 0161 764 4043 Fax: 0161 764 1628
www.jamessharp.co.uk

Shareholder queries

The Company's share register is maintained by Equiniti, which is primarily responsible for updating the share register, issuing new share certificates and for dividend payments. Equiniti offer a Shareview service for shareholders to manage their shareholding online. More details on how to contact Equiniti and use this service can be found on the Group website.

Dividend history

Pence per share

		Pence per share					
		Reference period					
Share type	**Period of payment**	2017	2018	2019	2020	March 2022	**Total paid in period**
NVPO	2018	3.0p	3.0p	–	–	–	**6.0p**
	2019	–	3.0p	3.0p	–	–	**6.0p**
	2020	–	–	–	6.0p	–	**6.0p**
	March 2022	–	–	–	3.0p	3.0p	**6.0p**
	December 2022	–	–	–	–	3.0p	**3.0p**
Ordinary	2018	3.0p	1.0p	–	–	–	**4.0p**
	2019	–	3.0p	1.0p	–	–	**4.0p**
	2020	–	–	–	4.0p	–	**4.0p**
	March 2022	–	–	–	3.0p	1.0p	**4.0p**
	December 2022	–	–	–	–	3.0p	**3.0p**

Advisers and registered office

Auditor
BDO LLP

Bankers
Barclays Bank plc
HSBC Bank plc
Lloyds TSB Bank plc
Royal Bank of Scotland plc
Santander UK plc
Investec Bank plc

Insurance brokers
Willis Towers Watson
PiiQ Risk Partners

Pension and actuarial advisers
Buck Consultants
PwC

Property advisers
Bidwells
Savills

Solicitors
Bird & Bird
Greenwoods
Mills & Reeve
Travers Smith

Tax advisers
Deloitte LLP

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