Marshall of Cambridge (Holdings) Ltd

Annual Report 2011

Marshall

Making History

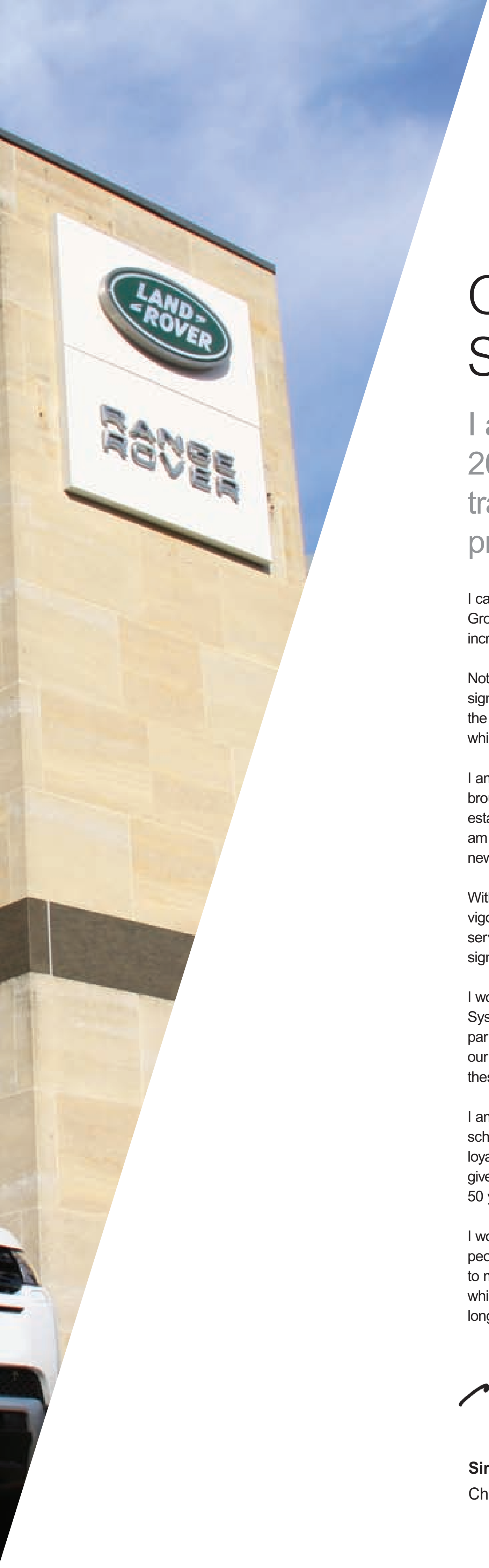
Blending innovation with creativity

Spirit of adventure

Entrepreneurial

Ahead of our time for over 100 years

Contents



"I would again like to thank our customers for entrusting us with their business and our people throughout the Group who do their best to look after them all."

Chairman's Statement

I am pleased to be able to report that in 2011 we managed, in an acutely difficult trading environment, to increase our profit to £8.5 million.

I can also report that with the aid of some carefully chosen acquisitions by our Motor Group, our turnover has passed the £1 billion milestone. We are working to achieve increases in sales, profit and the return on our capital employed in the current year.

Notwithstanding the presently depressed state of some of our markets, the Board is signalling its confidence in the Group's future by recommending a modest increase in the final dividend to 1.25p payable on both our Ordinary and NVPO shares in June, which will take our totals for the year to 1.75p and 3.75p respectively.

I am delighted that Robert has succeeded me as Group Chief Executive. He has brought many new ideas and some fresh faces to help to invigorate our excellent long established teams and to increase the focus on our core values and on new markets. I am looking forward to working with him and supporting him as our Group moves into a new era of development and growth.

With the uncertainties of recent years behind us, it has been possible to put in place a vigorous plan to develop the business at our unique Cambridge Airport, which not only serves as a vital front door for the important work in our hangars, but also makes a significant contribution to the local and business communities.

I would highlight the contribution which both Marshall Aerospace and Marshall Land Systems have made in supporting and supplying our international and UK customers, particularly the strategically important Ministry of Defence, as well as the vital role of our expert teams who frequently go to enormous lengths to ensure the satisfaction of these customers.

I am proud of the major national contribution made through our apprentice and training schemes which we have been operating now for over 80 years, and of the steadfast loyalty of our dedicated staff. Since our Long Service Awards started in 1976 we have given 686 awards for 30 years of service, 243 for 40 years and 31 for an extraordinary 50 years.

I would again like to thank our customers for entrusting us with their business and our people throughout the Group who do their best to look after them all. I am also grateful to my fellow directors for their unstinting support, advice and encouragement, all of which have been invaluable in guiding me on the development and leadership of this long established private family company to which we are all so committed.

Sir Michael Marshall
Chairman

Group Chief Executive's Review

We increased operating profit despite uncertain market conditions.

"Change the Gear while Holding the Values"

Marshall

Our Portfolio

Marshall operates in four distinct market sectors represented by five separately run businesses. Over the last two years we have made strenuous efforts to reorganise our businesses into discrete and clearly identifiable entities.

In each of our markets we occupy a unique and important position, being well known and highly respected by our customers and competitors.

Marshall Aerospace

Marshall Aerospace has earned a world beating position on the through-life management of C-130 military transport aircraft. It is also a leading player in availability contracting and developing innovative engineering solutions.

Marshall Land Systems

Marshall Land Systems operates in the military domain and has developed a leading international position for protected work spaces. Marshall Fleet Solutions brings crucial support capability.

Marshall Motor Holdings

Marshall Motor Group is the second largest private franchised motor dealer group in the UK by sales volume and, together with its highly successful leasing business, has a growing reputation for setting the benchmark in retail excellence in the UK.

Marshall Airport Properties

Marshall Airport Properties has substantial land holdings on and adjacent to the airport. It is also the landlord for each of our main operating companies in Cambridge and, in this respect, it is a major industrial centre and motor retail park.

Cambridge Airport

Cambridge Airport aims to become an important regional hub for business and charter traffic and a centre for general and light aviation.

HIGHLIGHTS

In 2011, we successfully demerged the Airport operations from Marshall Aerospace and constituted Cambridge Airport as a standalone business with the objective of developing into a business hub for the South East.

Steve Fitz-Gerald joined Marshall Aerospace, as its Chief Executive, on the 1st January 2011 and has implemented a strategic programme to position the business for the future. Critical to this has been the broadening of Marshall Aerospace's footprint so as to lessen our dependence on the current UK logistics fleet of C-130 and TriStar aircraft. However, these aircraft have been vital to the UK's continuing operations in Afghanistan and the mission in Libya. Throughout both conflicts, we have provided a good level of aircraft availability and we remain fully committed to providing our largest customer with excellent service.

Marshall Land Systems had a good year and has made encouraging progress in developing international markets. We are honoured to have been assessed as the Ministry of Defence's No. 1 supplier for on-time delivery and customer service.

Marshall Motor Group continued its progress and growth of recent years. The portfolio has been strengthened through the addition of Renault, Mazda, another Honda and two Volvo franchises. Early in 2012, we were successful in acquiring the Grimsby and Scunthorpe Volkswagen car and commercial vehicle franchises as well as Kia in Scunthorpe. Marshall Leasing had another record year of profits, and saw double digit growth in its fleet.

Another important highlight is our impressive record in Health and Safety. Marshall Aerospace and Marshall Specialist Vehicles have been nominated for RoSPA President's Awards, a major accolade to complement an overall tally of two golds and two silver medals across the Group.

We made good progress in the implementation of our strategy. Our aim is to 'Change the Gear while Holding the Values' and this is being achieved by concentrating on performance through engagement of our people and their adherence to our core values.

Robert Marshall
Group Chief Executive

	Market Analysis	Market Position	
Marshall Aerospace	Marshall Aerospace's traditional markets were in a state of flux during 2011. Defence budgets were being curtailed in most western economies due to adverse economic conditions and increasing pressure from reducing public spending. Over the planning period to 2016, it is anticipated that the UK defence budget will fall by 6-8% in real terms. In Europe, the threat to the 'Eurozone' is also leading to uncertain market conditions in the military sector. However, in the Middle East and Asia, economic growth remains relatively strong and market conditions are favourable. Meanwhile, in the civil market, there is a period of growth as the OEMs deliver record numbers of new aircraft.	Marshall Aerospace is one of the UK's leading independent providers of aerospace engineering services and specialises in: • the modification, maintenance and support of military aircraft platforms; • the engineering and fabrication of complex aircraft structures and systems; • the maintenance of small business jet aircraft; • the provision of technical personnel and line maintenance services. Despite our traditional market declining at approximately 3-4% per year, we are confident of maintaining our position thereby delivering growth in real terms.	**Defence & Aerospace**
Marshall Land Systems	More than three years ago it was clear that the UK MoD would face funding pressures as a result of the Government's intention to reduce defence spending based on a planned withdrawal from both Afghanistan and Iraq. Additionally, globally our strong technical expertise gave us significant competitive advantage. Marshall Land Systems (MLS), therefore, set about diversifying its market base through a concerted effort to enter selected overseas markets, as well as positioning itself to secure smaller programmes in the UK.	MLS supports the military and civilian lines of communication by the provision and support of deployable workspace and logistic systems. The company has earned an unrivalled reputation for delivery in the UK through development of its project management ability. It has been successful in 2011 in developing its presence into many countries such that it has secured contracts in new overseas markets including in Canada and the Middle East, as well as positioning itself to secure additional work in Australia, Scandinavia and Africa.	
Marshall Motor Holdings	The automotive retail sector saw registrations of new cars in the UK fall by a further 4.4% to 1.94m units (including sales for fleet cars), the lowest level since 1994. The retail market for new cars was down by 14.1%. The used car sector fell by 6.7% year on year. We are also seeing that the premium car sector is being less hard hit by the current UK economic outlook. The number of franchised outlets across the UK continues to decline as market areas increase in size and smaller operators sell up or pull out. The fleet sector saw modest growth in the year, giving Marshall Leasing the opportunity to increase its funded fleet size.	Marshall Motor Group is a broad spectrum retailer with a preponderance of franchise partnerships with volume manufacturers. Although the overall market for new cars was down 14.1%, the brand portfolio we represent saw an 18.9% fall in volumes. Motor Group beat this market change by 6.2% as a result of adherence to our core principle of endeavouring to provide consistently excellent customer satisfaction. Motor Group has continued to add to its portfolio of franchises, with its chosen partners, and is pleased to have added Volkswagen in early 2012. Meanwhile, Marshall Leasing went from strength to strength, and is widely recognised for its service levels and innovative client solutions.	**Motor Retail**
Marshall Airport Properties	The Cambridge site remains an important asset for the Group and, indeed, the wider community. In order to understand better how best to maximise its potential, we are undertaking a strategic review of the Group's property holdings. Initial indications have already shown that there are significant opportunities to develop Cambridge Airport as there is an increasing shortage of aircraft landing slots in the South East of the UK. Other parts of the site offer potential for commercial, retail and residential development to benefit both the Group and the wider community.	The Group's property has been mainly let to Marshall Group businesses but there is now a focus on also providing facilities for external tenants. Our imperative is to ensure that we satisfy the expectations of all our customers, whether they are Marshall-owned businesses or external tenants. We endeavour to maintain close relationships to help them grow their businesses and build a long-term relationship for our mutual benefit.	**Cambridge Property**
Cambridge Airport	There has been renewed focus on the importance of regional airports in the South East of the UK, as a result of policy decisions not to expand Heathrow and Stansted. The immediate future offers potential for expansion into passenger services as well as business aviation, as the UK market demand continues to increase and major UK airports concentrate on long haul operations rather than short haul and regional destinations. From a macro perspective, the corporate aviation market did not see the expected forecast recovery in 2011, and movements were only up by 2.8%. Passenger services recovered more strongly, seeing 4% more passengers in 2011 than 2010.	Cambridge Airport, at around 21,000 take-offs and landings per year, is 40th out of 65 in the UK movements table. Location, the catchment area, and our ability to attract niche business remain key advantages. We expect the Olympics will offer a small but potentially attractive opportunity in the summer of 2012 as a proximate destination outside the restricted airspace control zone. From a passenger services perspective there are over 20 million flights per year carried out by people living in our catchment area. We currently handle around 2% of the UK's business aviation movements.	**Regional Airport**

Our Strategy

Our strategy is for each of our companies to aspire to an upper quartile benchmark performance in their market sectors, by adhering to our common core values and effecting a marked change in pace utilising our resourceful, skilled and dedicated people.

Group Strategic Intent

Change the Gear, while Holding the Values

Integration

- Improved Performance
- Business Planning
- Risk Management
- Working as One Group
- Resource Planning

Corporate Actions

Our Core Values

- Customer Service
- Integrity & Fairness
- Adventure & Innovation
- People being at the Heart of our Success

Integration

- Great Place to Work™ Survey
- Independent Customer Survey
- Marshall Achievement Values & Teamwork Awards (The MAVTAs)
- Ethics & Values

Actions to Support our Core Values

People being at the Heart of our Success

- Teamwork
- Engagement through Communication & Leadership
- Recognition & Development of Talent
- Personal and Team recognition
- Life enhancing employee experience

Integration

- Marshall Leadership Development Programme
- Marshall Talent Programme
- Marshall Achievement Values & Teamwork Awards

Developing and Recognising our People

During the year, we implemented a number of new actions and initiatives to underpin and reinforce our strategy to

"Change the Gear, while Holding the Values".

Corporate Actions

- An emphasis on the importance of improved performance in line with the strategic intent has been communicated at all levels.
- The Business Planning processes for each of our operating companies were standardised giving our Group better control and visibility and support to their strategic directions.
- Risk Management was centralised within the Group providing a more comprehensive assessment of our Group risk profile.
- Ensuring all the businesses work together and see themselves as part of a united Group.
- Optimisation of cash resources for acquisitions and capital improvements.

Actions to Support our Core Values

- Great Place to Work™ surveys were carried out across our entire group of companies. This has provided invaluable dialogue and engagement with all of our people and will be a catalyst to constructive company improvement.
- Independent customer satisfaction surveys have been carried out for each of our main operating companies. One of Marshall's greatest assets is the goodwill of our many customers and their commitment to our Group is hugely appreciated.
- The Marshall Achievement Values and Teamwork Awards, the MAVTAs, were inaugurated with a celebration at King's College Cambridge in early 2012 for the winners of awards in the categories of Teamwork, Leadership, Customer Service, Innovation, and Services in the Community. Over 250 people attended this ground breaking occasion which will be a highlight of our corporate calendar.
- During 2012, our code of ethics will be updated and reissued, and our values will be published to all employees.

Developing and Recognising our People

- We have now launched our bespoke Marshall Leadership Development Programme to develop further our ability as a company to achieve benchmark performance in years to come. Our top 250 managers from all our companies will develop their leadership skills to equip us for future challenges.
- Following the Leadership Programme, a new Marshall Talent Programme to develop aspiring employees will be in place from 2012 onwards.
- The MAVTAs were celebrated in early 2012 to recognise personal and team achievements.

Our Strategic Imperatives

"This was a year of improving profit performance with steady progress made by each of our companies in accordance with our Group's strategic aims."

Our Imperatives	What We Did
• Ensure that each of our companies holds a unique, relevant and competitive position in their respective markets;	• We significantly improved our business development processes with an emphasis on market analysis, opportunities and suitability of our product offerings;
• Strengthen the constitution of our portfolio of companies;	• We substantially completed the process of absorbing a number of smaller companies into our main operating businesses;
• Strengthen the focus and importance of business planning in all our operating companies;	• We have concentrated on developing our business planning process in all our key businesses including benchmarking our performance and reinforcing our strategic direction;
• Strengthen the balance sheet through cash and financial facilities management.	• Profitability improved but cash remains a key criteria for each of our businesses to manage and this has led to better control of our working capital. We have also continued to refine the banking facilities available to us.

	Our Imperatives	What We Did
Marshall Aerospace	• Concentrate on developing our key account relationship with the UK Ministry of Defence and successfully complete the move of the C-130 base from RAF Lyneham to RAF Brize Norton;	• The relocation of the C-130 base to RAF Brize Norton has been completed. We are working in the spirit of partnership defined in the HIOS contract to increase the availability of aircraft in a more challenging environment;
	• Consolidate our important and unique relationship with Lockheed Martin with the goal of jointly exploiting international market opportunities;	• We have signed an agreement with Lockheed Martin which positions us as their premier sustainment partner of choice for C-130 services outside the United States. In 2012, we will continue to work with Lockheed Martin to bring success in growing international markets;
	• Significantly bolster our project management capability and develop into adjacent markets.	• We have re-modelled our approach to project management and hired extensively in this vital area. Successful on-time delivery and project outcomes for products, such as fuel tanks, and modifications, such as avionics upgrades, are pivotal to successful growth and our move into adjacent military and civil markets.
Marshall Land Systems	• Enhance our international reputation for on-time, on-cost, on-specification delivery;	• MLS has achieved the UK MoD highest supplier rating during 2011 through its long term commitment to developing people and the company structure along project management principles.
	• Stretch our geographic boundaries and diversify into markets where we can exploit our unique product range;	• MLS is now represented in many international markets and our project offerings have been adapted as necessary. The international proportion of our total business development effort has risen from 20% to 80% over 2011;
	• Continued development of new 'off the shelf' capabilities and services ahead of expected demand.	• MLS continued to develop its battlefield electrical power generation and automated load carriage capabilities. R&D investment in technology and project management capability rose to 15% of retained profits.
Marshall Motor Holdings	• Optimising performance though our four levers of people, customer service, manufacturer relationships, and retailing excellence;	• For the second year running we were officially recognised as a Great Place to Work™ by the Institute. 91% of our businesses achieved top half customer satisfaction scores, and our staff turnover, at 23%, is substantially lower than industry average;
	• Enhance and balance our portfolio of franchised retail centres to keep pace with a consolidating market, through strategically aligned acquisitions;	• We grew our turnover by 17.1% on an annualised basis. We further strengthened our Volvo and Honda representation and added Renault and Mazda to our portfolio. Early in 2012, we acquired the Scunthorpe/Grimsby Volkswagen commercial and car franchises and the Kia franchise in Scunthorpe;
	• Optimise our cash management in order to increase shareholder return on capital and free up cash for acquisitions;	• We optimised our working capital especially pre-registered and demonstration vehicles and exited our marginal rental fleet activities. As a result, our cash position was maintained despite substantial acquisition activity;
	• Build on the reputation and success of our Leasing business.	• Marshall Leasing delivered a double digit increase in its funded fleet size, whilst achieving record levels of profitability.
Marshall Airport Properties	• Transition from providing property services primarily to the Marshall operating companies to being an important independently run business unit;	• We have prepared the groundwork and developed the core team together with the terms of reference for this significant transition;
	• Constitute an in-house infrastructure project management capability to manage the upgrade requirements of our ageing airport infrastructure over the coming years;	• Airport Properties has created a dedicated infrastructure project management team which is run by a very able executive with experience of infrastructure maintenance and renovation projects at major airports in the UK and Ireland. As a result, the original estimates for the cost of overhaul of our airport infrastructure are managed more expertly and significant cost reductions are already being achieved;
	• Revise the Master Plan for Cambridge Airport and the surrounding land owned by the Group to optimise value over the long term.	• The parameters for the development of a Master Plan for the Airport and potential retail, industrial and residential properties have been set. In 2012, this Master Plan will be commissioned together with a new business plan. Initial progress in this area is encouraging.
Cambridge Airport	• Reinforce the senior airport management capability and skills in the areas of business development and management;	• We have invested heavily in developing our people in the first year as a separate Marshall business unit. We have invested in strategic training programmes and laid the groundwork for performance management, as well as hired key members of the leadership team;
	• Attract key partners in the corporate aviation world, recognising that organic growth alone will not deliver;	• We have outsourced the management of our executive terminal to ExecuJet, a renowned international operator. Pilot Training College have agreed to base their UK commercial pilot training facility at Cambridge, and CapitalAir now run their helicopter service from Cambridge Airport;
	• Develop the capabilities and potential to attract charter and scheduled city hop activity.	• We have attracted three charter routes which start in May 2012: Jersey, Dole and Verona. Route and feasibility studies are promising for bringing scheduled traffic in the near future.

Operating Review - Marshall Aerospace

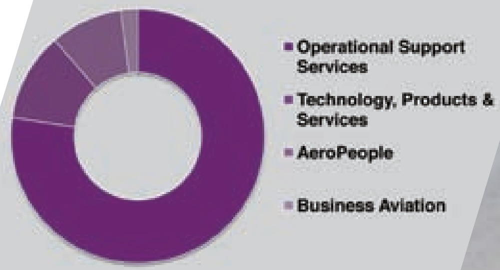
2011 was a more successful year for Marshall Aerospace. Turnover rose to £253m, an increase of 8.1% on 2010, with a steady improvement in profit.

Approximately 80% of turnover is earned from military customers, primarily the UK Ministry of Defence (MoD).

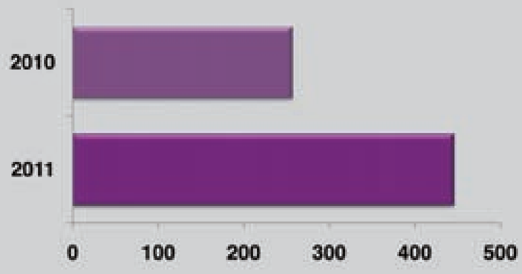
PERFORMANCE HIGHLIGHTS

- Strong demand for repair and overhaul of UK's fleet of transport aircraft, as a result of conflicts in Afghanistan and Libya;
- Excellent progress in supporting European nations' transport fleets and gaining new military customers;
- Played a key role in the transfer of UK C-130 Air Transport operations from RAF Lyneham to RAF Brize Norton;
- Formed a new and progressive executive management team to grow the business;
- Developed a new strategic vision and direction for the company.

Revenue by Activity



Order Intake £m



During the year Marshall Aerospace secured a 4 year follow-on contract to provide integrated operational support for the C-130K and C-130J aircraft which are part of the UK MoD's air transport fleet. We are Europe's largest provider of C-130 support solutions to military customers and have a comprehensive modification and upgrade capability.

"innovation and excellence in engineering and support solutions."

Operating Review - Marshall Aerospace

SUPPORTING THE AIR BRIDGE
Our activities on the Hercules Integrated Operational Support (HIOS) and TriStar Integrated Operational Support (TRIOS) programmes form an integral part of the provision of the air bridge to the various outposts where UK Armed Forces are engaged in operational activity. Public finances are under considerable pressure and it is, therefore, important that we adopt a proactive approach towards the provision of our services to improve efficiency and effectiveness. We actively engage in joint working with both our customer and our industry partners to ensure that we are doing all we can to reduce cost, improve turnaround times and enhance the availability of mission ready aircraft.

SUCCESSES
During 2011, we made significant progress on a number of programmes. The third RNLAF aircraft was converted in the year and flew successfully, in early 2012, after an extensive programme of avionic upgrades and improvements. We also successfully delivered a number of internal auxiliary fuel tanks for the A318e to Airbus. The P8 programme delivered its 100th tank in early 2012, after a significant level of development during 2011. We are consistently receiving good scores in the Boeing supplier evaluation system which is a great achievement by the team during a development programme.

BUSINESS DEVELOPMENT
We are focused in two directions; working with the principal Original Equipment Manufacturers (OEMs) and expanding our overseas customer base. We believe this approach should provide the drive that is needed to build relationships and win new work. We have already significantly enhanced the relationship with two OEMs by signing agreements that establish partnering arrangements around the joint development of offerings which we plan to bring to market as a team.

PROJECT MANAGEMENT
Whilst our success in developing solutions to very complex customer requirements has been excellent, in past years we have sometimes found consistently delivering on-time and to the original cost budget to be challenging. We have now made some changes to the structure of our project management function and we have recruited some very experienced project managers and established the role of programme director. We have carried out a skills audit to identify gaps which can then be addressed with training and we have reviewed performance at a detailed level on a number of complex projects to identify areas where process amendments could yield benefits. We believe we have refocused the organisation on delivery and look forward to being able to report continuing improvements in project performance over the coming year.

AEROPEOPLE
During the year our Aeropeople business has undertaken a range of projects to enhance the range of service we offer to our clients. We have increased our line maintenance and permanent recruitment businesses and have developed a ‘Managed Service’ offering, through which we can provide a full scope recruitment management service. We have also invested in developing our geographical footprint and now have the capability to supply staff into Italy, Germany and UAE via our own network of companies and branches.

SLINGSBY
Now in our second year of ownership, Slingsby had another good year and continued to deliver outstanding quality to customers across a range of composite products. We have designated the Kirkbymoorside factory to be our Centre of Excellence for composite manufacturing and, having expanded our customer portfolio, are well positioned for future growth.

UK MOD SUPPLIER RATING
The UK MoD reviews the performance of both itself and its suppliers every year. Our key supplier rating has risen to 7.8 from 7.5 last year, which places us in the top quartile of MoD suppliers. We are committed to working closely with our customer to improve our performance further.

ORDER INTAKE
Our order intake for the year rose by over 73% from £256m to £445m, having secured orders with several military customers which will be executed over multiple years. Securing this level of orders enables us to take a longer term view to improving both our efficiency and effectiveness in satisfying our customers’ requirements.

HEALTH & SAFETY
We employ an integrated safety management system which covers health, safety and environmental matters, using leading indicators to help us manage risks and reduce accidents. Our work in this area has been recognised by a second RoSPA President’s Award for achieving 11 consecutive Gold Awards.

GREAT PLACE TO WORK™
Our most valuable asset is our people and we are committed to improving their working environment. During the year we carried out our first Great Place to Work™ survey. We received some very valuable feedback which we are now turning into actions, with a view to improving our scores when we run our next full survey during 2012.

Operating Review - Marshall Land Systems

Marshall Land Systems has worked steadily over the last four years to become a highly integrated systems and service provider.

PERFORMANCE HIGHLIGHTS

- Improved return on assets;
- A consistent focus on delivery of on-time and on-cost performance and customer service;
- Concentration on product strengths as follows:
  - Protected Workspace
  - Vehicle Engineering
  - Capability Development
- Expansion in both the UK and selected overseas defence markets.

OVERSEAS BUSINESS DEVELOPMENT

The impact of the global economic crisis was quickly recognised, allowing us to capitalise on our strong technical position by pursuing selected opportunities overseas. Whilst many international defence programmes have been delayed, we remain active and well placed in a number of overseas competitions.

Our growing international exposure and reputation, achieved over the past twelve months, has enabled us to grow sales and enhance our position in Sweden, South Africa and, more recently, in markets in the Middle East, Far East and South America.

Our organisation has progressed and remains in the final phases of a number of international competitions, as they come to the supplier selection stage. We recognise that operating in overseas markets is not without risk but adopting a sensibly cautious approach coupled with international experience in the team has resulted in an increased awareness of the MLS brand overseas; and increased confidence within our teams as they wrestle with the complexities of offset, international regulations and different cultures.

CUSTOMER SERVICE AND SATISFACTION

Regardless of the market, we strive to enhance our record of excellent customer service and support throughout the delivery chain. This often involves direct investment within our target markets, establishing a local presence or delivering local industrial content through selective partnership with existing national organisations. Whatever the mechanism we employ, it is always centred on our overarching aim of providing outstanding customer support and service. At the heart of this customer centric service is our on-time, on-cost approach to project delivery. We are delighted that the UK MoD rated our organisation as its top performing supplier in its annual supplier assessment.

We have undertaken work to provide the essential support that our customers and their equipment require in Afghanistan, Canada, the Netherlands, Chad, Norway and the Seychelles. The award of several commendations to Neil Arnold, a Marshall SV engineer on deployment in Afghanistan, as a result of his own and his team's work to support ISAF Forces in their use of MLS equipment in theatre, provides public recognition of our determination to provide the best customer service available.

ACQUISITIONS

The 2010 addition of Marshall Fleet Solutions (MFS) into the MLS group brought a much needed commercial element to our offering, allowing us to broaden a traditional defence sector focus. MFS is a leading supplier of support and service to the UK logistics industry with the potential to support our defence activities. During the past year, MFS has gained considerable credibility for successfully delivering large commercial projects. LifTow, a small manufacturer of electric powered aircraft tugs was acquired in 2011 and is expected to provide access to adjacent markets and further develop our integration skills.

UK MOD SUPPLIER RATING

In the UK MoD annual assessment of its key suppliers Marshall SV has been adjudged its top supplier. This is a significant accolade and is only possible from consistent customer commitment and dedication to excellent service and our on-time, on-cost approach to project delivery.

ORDER INTAKE

Our order intake increased by 20% in the year to £59m. This achievement in a challenging environment underpins the future and again reinforces the reputation of MLS in its chosen markets and how the business is executing its strategy with a great deal of success.

HEALTH & SAFETY

We pride ourselves on providing a safe working environment for all our employees. This is further validated by receipt of the RoSPA President's award (awarded for ten consecutive gold medals) at the Cambridge site and a fourth consecutive silver award at the Vehicle Engineering facility in Mildenhall. Furthermore MLS attained the ISO 14001 accreditation in the year recognising our ongoing commitment to the environment.

GREAT PLACE TO WORK™

Our strategy for success includes ensuring our people are fully engaged with the business. One of the tools we have deployed, with success, for the first time this year is the Great Place to Work™ survey and methodology. The results of the survey have been extremely insightful leading to a number of initiatives which will ensure management and employees are fully engaged and working even more closely.

Operating Review - Marshall Land Systems

THE ENVIRONMENT, HEALTH & SAFETY

A steady and determined upgrade across our facilities has included an effective focus on environmental issues. The combination of renewing and revitalising facilities and maintaining a determined effort to protect and preserve the environment has resulted in MLS being the first part of Marshall to be awarded the ISO 14001 accreditation. This activity, coupled with an intent to maintain the safety standards and awards gained in previous years, indicates all our employees are enthusiastically committed to improving our already high standards of health and safety.

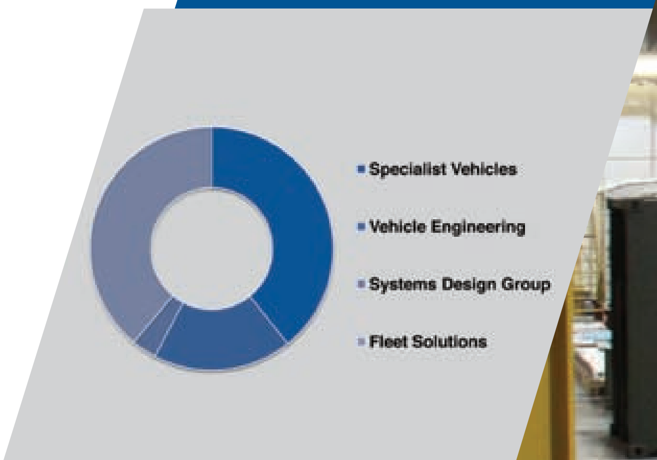
PEOPLE AT THE HEART OF OUR SUCCESS

Even in the economic downturn, recruiting experienced and capable individuals who will subscribe to the Marshall values remains vital. One of the biggest risks to our international strategy is the ability to recruit sufficient internationally experienced staff. This is a constant challenge and our HR colleagues have been active and effective in identifying key potential members for our organisation and then ensuring they have appropriate leadership development and skills training to equip them for the future business needs. This, coupled with the first year results from the Great Place to Work™ initiative, has given all members of MLS a greater clarity and transparency, and a new momentum when choosing targets for the future.

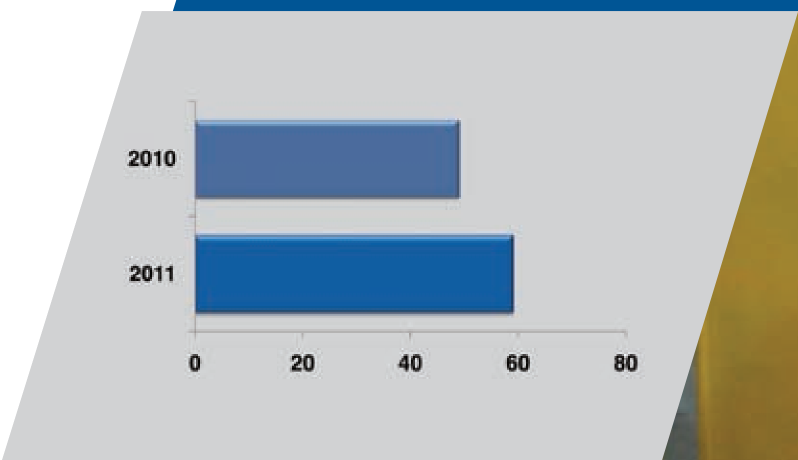
OUTLOOK

We intend to continue to expand and adapt to the constant changes in the global market. Whilst the balance may move from a reliance on just the UK market, we will remain true to our roots and values. We intend to strive to provide exemplary customer support to all our customers. Our dedicated, loyal and hard working people are the lifeblood of our business, and have embraced the changes and uncertainties that modern defence markets present with skill and innovation.

Revenue by Activity



Order Intake £m



We are delighted that the UK MoD rated our organisation as its top performing supplier in its annual supplier assessment.

Operating Review - Marshall Motor Holdings

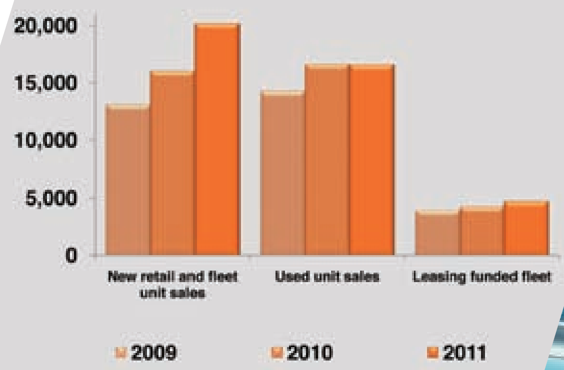
The Motor Group made good progress towards its strategic objectives of achieving organic growth by optimising performance and growing through acquisition.

The first quarter of 2011 produced record unit sales, revenue and profitability. However, due to the deterioration of market conditions, caused by a number of external factors, trading became tougher for the remainder of the year. The Leasing business enjoyed another very profitable year on the back of double digit fleet growth, healthy margins and the benefit of low interest rates.

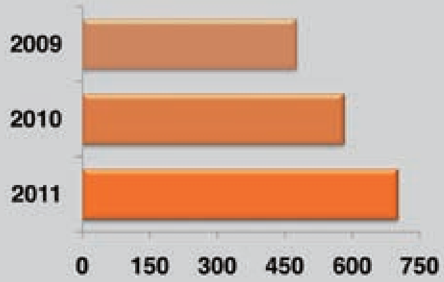
KEY HIGHLIGHTS

- Record profits from Marshall Leasing;
- Record number of vehicle sales of 36,822 in 2011 (2010 – 32,673);
- Record level of finance and insurance sales;
- Focus on working capital management to ensure the business remained cash generative;
- Motor Trader Dealer Group of the Year for 2011 and 2010 – the first Group to achieve two successive awards;
- £3.0m invested in training on people during 2011;
- Acquired new partners in our franchise portfolio.

Unit Sales



Turnover £m



“we love our customers”

The business remains well placed to weather the market conditions and continue the transformation into the “UK’s premier automotive retail and leasing group”.

Operating Review - Marshall Motor Holdings

MARKET CONDITIONS
The market for retail vehicles is driven by consumer confidence and the Nationwide Consumer Confidence Index (NCCI) reached an all-time low in December 2011 of 38 points. The long run average is 76 points which demonstrates the depressed state of the market. An analysis of the data shows a close correlation between the NCCI and new retail registrations. With that background, it is hardly surprising that the market for new retail cars fell by 14.1% in 2011. The portfolio of brands in which we operate saw a fall in market volume of 18.9%, although we saw a fall of just 12.7%.

FINANCIAL PERFORMANCE
In addition to the difficult market conditions, our results were affected by a number of one-off items impacting year on year comparison. Closing dealerships and other re-organisation costs depressed our results. We did not get the benefit of a contribution from the scrappage scheme, as in 2010, and the increase in VAT rate to 20%, at the beginning of 2011, reduced margins. Our volume brands, Vauxhall and Peugeot in particular, found the 2011 market very difficult. The integration of the Mercedes dealerships, purchased at the end of 2010, continues, but this is a long term project, such that a 'best in class' financial performance will take some time to crystallise.

However, the underlying business continued to perform well, with our Land Rover, Jaguar, Volvo and Honda operations all performing above national average.

The business remains well placed to weather the market conditions and continue the transformation into the "UK's premier automotive retail and leasing group".

OPTIMISING PERFORMANCE
The strategy for optimising performance utilises four operating levers; customer satisfaction, retailing excellence, manufacturer relationships and, underpinning all three of these, being a Great Place to Work™.

GROWTH AND DEVELOPMENT STRATEGY
Working to a clearly defined strategy of operating businesses in scalable markets, with the right brand in an appropriate property solution the Motor Group has grown the number of its franchised operations to 64. Recent acquisitions are:

April 2011	Honda	Harrogate
June 2011	Volvo	Welwyn
	Volvo	Milton Keynes
	Mazda	Milton Keynes
	Renault	Milton Keynes
January 2012	Volkswagen	Grimsby
	Volkswagen	Scunthorpe
	Volkswagen commercial	Scunthorpe
	Kia	Scunthorpe

MARSHALL LEASING
Through careful management of profit margin and residual risk, Marshall Leasing has continued to deliver year on year profit growth and a record result. Continued organic growth of the funded fleet has been achieved through an innovative approach and dedication to business development, reinforced by excellent customer service. This, in turn, has been delivered by a well led and motivated team who take pride in their customers and the Marshall values. A special award at the Group 2012 MAVTAs recognised this inclusive approach.

CUSTOMER SATISFACTION
91% of our sales and service departments have achieved above National Average scores in manufacturer surveys. We are now a top ranked dealer group in the UK for Jaguar, Land Rover and Honda.

RETAILING EXCELLENCE
Award winning processes, tools and people enable the Group to deliver the best retail experience to our customers and extract the best value the market place has to offer for each brand we represent. These practices, culture and commitment are mirrored and implicit in our Leasing business.

MANUFACTURER RELATIONSHIPS
The Group is committed to our partnerships with brand partners focusing on maintaining latest brand standards in our retail facilities and achieving volume and CSI targets. Over £1m was invested in refurbishing retail facilities during 2011. By franchise number, we are now the largest UK partner for Volvo and Honda.

GREAT PLACE TO WORK™
The Motor Group is committed to creating a working environment for our colleagues so as to ensure that it is a great place for everyone to work. This is independently measured each year by the GPTW Institute. The Motor Group has scored around 70% for the last two years making it a Great Place to Work™, with the ultimate objective to achieve a score in excess of 80%.

Operating Review - Property

Marshall Airport Properties owns the core Cambridge site. It is the landlord for each of our main operating companies at Cambridge, including Cambridge Airport with its potential to serve the region as a regional business aviation hub.

A MASTER PLAN FOR AIRPORT PROPERTIES
As the owner of a major industrial park, a motor retail park, a regional airport facility and of underdeveloped land, we are in an excellent position to develop a new Master Plan. As a result, the company is currently undertaking a strategic review to develop an all encompassing plan for the next ten years or so. This Master Plan will provide a blueprint for development of the Cambridge site, the phasing of development of underutilised land and current property, and a business plan designed to provide long term value to shareholders while satisfying the needs of the Marshall operating companies and the local community.

Over the year, we have continued to serve the Marshall operating companies, all of whom rent property from us, but the expansion of the Airport has given us a new set of challenges including an increasing demand to rent facilities to third parties based at the Airport.

CAMBRIDGE AIRPORT
Much of the airport infrastructure is being modernised both to meet new regulations and to address the implications of the approach of the end of its original design life. In particular, we have successfully completed projects to resurface the runway, re-life vital apron infrastructure, and design modifications to ensure that our fuel and other facilities comply with future requirements. Improvements have also been made to the radar system.

This work requires specialist expertise in project management, civil engineering, and contracting and we took the decision to hire a small team which can develop our expertise and fulfil the requirements.

Investment in airport infrastructure is likely to continue for five years culminating in a programme to strengthen our runway for a further extended period. The project management team will be an important resource during this period and their work will dovetail into the development project described in the Master Plan.

OTHER GROUP PROPERTY HIGHLIGHTS
An extension to our Land Rover premises on Newmarket Road in Cambridge was built during 2011 to provide additional display space. The Motor Group had surplus premises in Bury St Edmunds which were sold for a profit in the year.

The Control Building was sympathetically refurbished in the year, which required special care. Built before the start of the Second World War, the building was originally the office for Cambridge Airport, and it is listed due to its architectural style and significance.

INVESTMENT PROPERTIES
The Quorum is an office building of about 60,000 sq ft close to the boundary of Cambridge Airport with most suites let to external tenants. As at 31st December 2011 the Directors considered that the valuation of the Quorum had reduced by £0.25m to £6.5m.

The Directors also decided that the valuation of Greenhouse Park should remain at £680,000. Consideration is being given to the construction of additional offices within Greenhouse Park as this park is no longer subject to Green Belt restrictions.

OUTLOOK
The Group is entering a new and exciting era for its property portfolio which will require vision, investment and purpose in order to enhance the returns and value of these important assets.

SERVING OUR CUSTOMERS
Over 76,000 sq ft of retail space, 198,000 sq ft of office space and 1,115,000 sq ft of hangar and industrial letting under management and leased to Marshall and third party customers.

AIRPORT INFRASTRUCTURE MANAGEMENT
Airport infrastructure includes a two kilometre runway and over 600,000 sq ft of pavement and taxiway. The opportunity to manage the infrastructure of the whole site whilst running a burgeoning airport will be a demanding but rewarding project.

THE WIDER COMMUNITY
Our property asset potential offers exciting prospects for the future but any development must serve the needs of our shareholders, our businesses, and our local community.

OUR TEAM
To service the burgeoning needs of our internal and third party customers, we are developing a team of people and advisors with the skills commensurate with the task. In 2011, we added vital infrastructure project management capability.

Operating Review - Cambridge Airport

2011 was the first year that the Airport was run as an independent business unit; the intention being to attract complementary businesses to the airport site whilst firmly declaring ourselves “open” as a regional airport.

2011 was a satisfying year for the Airport despite the poor macro-economic environment in its first 12 months as a quasi independent business unit within the Marshall Group.

PERFORMANCE HIGHLIGHTS

Highlights during the year have been:

- Our customers gave us 8 out of 10 for service in an independent customer survey;
- Our most successful Business and General Aviation Day industry trade fair ever, with 500 industry visitors at the Airport;
- Clean CAA audits for Cambridge Airport and Cambridge Air Traffic Services;
- The engagement of ExecuJet as our Executive Aviation Handling provider;
- The arrival of the Pilot Training College and the implementation of their simulator;
- All surplus office space and hangarage rented to third party tenants at competitive rates;
- One of the first commercial airports to implement an APV BARO GPS Approach, allowing bad weather operations for both sets of approaches at the airfield.

STRATEGIC DIRECTION

We aim to develop Cambridge Airport as an important and vibrant regional business and general aviation hub, the key elements of which will be:

- increasing our market share of executive jet movements through outsourcing our handling to ExecuJet;
- attracting a number of charter operators to use our facilities for weekly charter flights;
- securing a limited number of daily scheduled routes to key UK and European destinations.

Cambridge has extremely good airport facilities, a 2000m runway, and excellent air traffic control, fire and other support facilities, combined with space for parking and terminal facilities. Our unique positioning allows us to provide customers with a hassle-free approach to flying with minimal time between parking and embarkation.

GENERAL AVIATION

Marshall has a proud history of flying training which goes back to the start of what is now Marshall Aerospace. We are, therefore, pleased to have taken responsibility for the Cambridge Aeroclub. We aim to increase this activity by improving our general aviation facilities and increasing the depth of training we can offer.

The Airport has assumed the management of light general aviation maintenance, where the initial focus is on business development, excellent customer service and rationalising the aircraft types supported in line with the local market demand.

OUTLOOK

2012 will focus on continued fiscal prudence, particularly important in a challenging macro-economic environment. This will include maximising the use of existing assets while focusing on our customers, and our people and their training.

Highlights for 2012 should include both the Olympics period, which will give us an opportunity to showcase the Airport, and the introduction of passenger services to a meaningful level.

Financial Metrics

Sales	up 19%
Fuel sales	up 34%
Contribution improvement	up 8.4%
External landing fees	up 11%
Overhead costs	static

BUILDING OUR BUSINESS

We have developed extensive data showing that various scheduled UK and European routes from Cambridge are potentially viable. We have attracted 3 weekly charter routes starting in May 2012 and we will do everything possible to make the experience of flying from Cambridge an excellent customer experience.

ADDING VALUE

Vibrant airports become attractive businesses to customers. During the year, several businesses have relocated to or taken space at the Airport, from companies serving the executive jet market, to commercial pilot training. This provides rental income and also new jobs to the region.

ATTRACTING BUSINESS TRAFFIC

We have successfully outsourced the management of our executive jet passenger handling facilities to ExecuJet following a rigorous tender process. ExecuJet are a well known brand and we intend to work together to increase traffic in a difficult market.

DEVELOPING OUR TEAM

As a newly independent business, we have needed to develop an effective team. An increase in business traffic will require excellent customer service from all our people. To achieve this, we have provided extensive management training throughout the year. One measure of our success in this, and will continue to be, monitored through our participation in 'The Great Place To Work™' survey.

Financial Review

An improved profit before tax of £8.5m in what was generally a difficult economic climate was an encouraging performance from the Group.

Group Turnover	Group Profit	Cash Balance
£1bn	£8.5m	£24.9m
2010 - £0.9bn	2010 - £5.2m	2010 - £48.7m

RESULTS

The overall result was underpinned by Marshall Aerospace, which recovered well from the tribulations of 2010, whilst Marshall Leasing and Marshall Specialist Vehicles also produced increased profits.

Sales rose by 13% to over £1billion for the first time in the Group's history on the back of a 17% increase in Motor Holdings sales, being a combination of increasing market share but also the beneficial impact of recent acquisitions and franchise openings, whilst the engineering companies overall saw a 5% improvement.

Gross profits increased by over £5m to £184m representing a return of 18.3% on sales, down on the 20.2% achieved in 2010. Gross margins remain under pressure in the retail markets, and in particular Motor Group where the general lack of consumer confidence was evident for most of the year.

EARNINGS PER SHARE

Basic earnings per share improved to 10.1p as against 4.3p in 2010 whilst the underlying earnings per share rose to 11.8p. This underlying earnings figure has been calculated using profits excluding exceptional items and goodwill amortisation so as to give a better understanding of the recurring level of earnings per share. An analysis of this calculation is shown in note 9 on page 42.

DIVIDENDS

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

On 22nd December 2011, a priority dividend of 2p per share on the NVPO shares was paid together with an interim dividend of 0.5p per share paid to both ordinary and NVPO shareholders. The Board is recommending a final dividend of 1.25p per ordinary and NVPO share for approval by the shareholders at the AGM and it is the intention to pay this on 29th June 2012. Total dividends paid to shareholders in respect of the year will then have amounted to £2.64m.

As a private company, the Group has had limited access to external funds, other than by way of borrowing or loans. Accordingly, the Group has had to generate and retain sufficient post-tax profits to fund future investments, as well as growth in the business. It remains the Group's normal policy to provide some stability in terms of return for shareholders, whilst trying to ensure that dividends are well covered by post tax earnings.

GROUP ACCOUNTING POLICIES

The Group's financial statements have been drawn up on a basis consistent with previous years and in accordance with the latest requirements applicable to the Group. The Group is not required to comply with International Financial Reporting Standards (IFRS) which are mandatory for all listed and AIM companies. The Financial Reporting Council (FRC) has recently issued new proposals for bringing UK GAAP into line with International Standards. If confirmed, those would require the Group as a minimum to adopt a modified form of accounting standards although this is unlikely to be much before 2015. The implications of such a move have been evaluated so that the Group understands the requirements and impact of adoption. The Board continues to keep this issue under review.

TAXATION

The Group tax charge of £1.8m or 21.6% (2010 - 36.6%) is flattered by the incidence of £1.2m of prior year tax credits. Without this the rate would be 35.7% and similar to that of 2010. This rate is above the effective statutory rate of 26.5%, principally because of expenditure disallowable for tax relief and the higher tax rates on overseas profits, notably Marshall Aerospace Canada, Inc. In recent years, the Group has been able to benefit from some prior year tax recovery for research and development expenditure, which has led to the prior year credits, as agreement of the relevant claims has been achieved in subsequent years.

The Government has signalled that headline corporation tax rates will continue to fall in future years but the reduction in capital allowance rates and the incidence of other disallowable expenditure probably means that the normal rate paid by the Group will hover around 35%. A full analysis and reconciliation of the tax charges is given in Note 8 on pages 41 to 42.

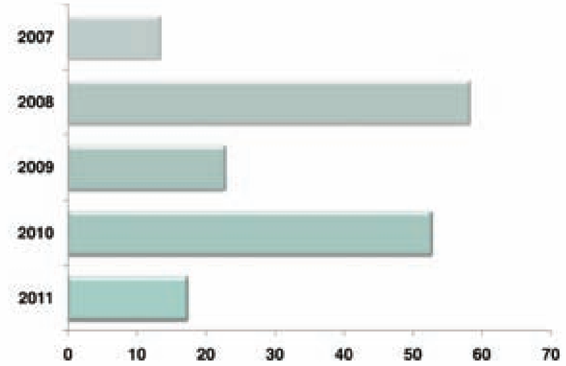
We continue to recognise deferred tax in the financial statements which can be simply explained as taxation charges, reliefs or benefits which will be included in future years' financial statements. Where recovery is not assured an asset is not recognised.

GOODWILL

With a lower level of acquisitions in 2011 and a further reduction in the consideration payable on the Slingsby acquisition the cost of goodwill acquired fell to £17.6m gross and after amortisation to £11.2m net. The Group's policy is to capitalise and then write-down goodwill over future years. The write down or amortisation, in 2011, amounted to £1.6m.

CASH FLOW
Following the excellent closing position in 2010, it was always going to be difficult to ensure a positive cashflow in 2011. The Group ended 2011 with gross cash balances of £24.9m, an outflow of £23.8m when measured against the unusual position of 2010 but better than the closing position in 2009 of £20.8m. The reduction largely reflected the unwinding of customer contract advances and deposits, as the Group still generated £13.6m from operating activities. As a result we entered 2012 with a strong position which has continued for the first quarter of the year.

Marshall Group Net Cash inflow from operating activities £m



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

The Group remained a net payer of interest in 2011 but continued to benefit from low interest rates. The only significant Group borrowings relate to the loans to the Leasing company which increased to just over £42m in 2011 as the leasing fleet continued to expand. The new revolving credit facility negotiated in 2010 remained available to the Group throughout the year. The £7m drawdown in 2010 under this facility was fully repaid in 2011.

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

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

GROUP BORROWINGS
The Group continued to use its agreed facilities to fund around 75% to 80% of the acquisition cost of the Leasing fleet. As a result, borrowings rose to £42m at the end of 2011, an increase very much in line with the growth in the fleet size. In addition, as part of a general review and upgrading of the banking facilities available to the Group, the available working capital facilities were adjusted to allow for the peak cash demands in March/April and September/October each year.

The four year revolving credit facility of £10m was renewed and is available to facilitate future acquisitions. Future drawdown will arise as and when required to fund major capital programmes or acquisitions so as to ensure that the Group has a stable availability of cash balances for working capital purposes.

The Group's commitment on operating leases for properties continues to increase as we make further acquisitions and investments. At the end of 2011, the annual recurring commitment on property leases had risen from £4.0m to £4.6m.

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

The main investment in the year was a spend of £26.9m gross (£21.0m net) on the Leasing fleet which ended the year with 4,752 vehicles (2010: 4,266 vehicles). A further £7.9m was spent on property, equipment and technological improvements. Gross investment on acquisitions made in the year was £1.3m.

PENSIONS
The Group's defined benefit scheme, the 'Plan', saw the FRS17 deficit increased to £8.5m or £6.4m after allowing for related deferred tax. The expected liabilities continue to rise on the back of increasing mortality rates and reducing bond yields, and this is the principal reason for the deterioration, with little compensating mitigation from asset values in what was a flat year for the stock market. Future improvements in the stock market would help mitigate this deficit as would increasing long-term bond yields, if and when interest rates start to increase. The bond yields used to value the liabilities are currently at an unusually low level which serves to exacerbate this deficit.

Both the Trustees of the Plan and the Board continue to work together to reduce the inherent risk and ensure the Plan remains viable, effective and cost efficient. A funding valuation used both by the Trustees and the Group, as at 5th April 2011, indicated a deficit of only £0.75m and the Group agreed to eliminate this over the period 2012 to 2014 in three equal instalments. The next funding valuation is due as at 5th April 2014.

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

There are two primary cash measures. The first is for the Group to be cash generative in any three year period after allowing for normal capital expenditure but excluding acquisitions or major developments. The second target is to ensure that available cash and borrowing facilities are at least 5% of turnover. In 2011, the former was achieved and the Group comfortably exceeded the latter target of £50m as a result of higher gross balances and unused facilities. All subsidiary companies are monitored on their cash generative performance and use of Group facilities.

Corporate Responsibility

OUR GROUP VALUES

We pride ourselves on being a values driven organisation and we have been reinforcing the four Group values throughout each of our businesses over the last year. These are:

- A Marshall company values the customer above all else and seeks to provide outstanding Customer Service through a happy, conscientious and well-motivated team.
- A Marshall company exhibits the highest standards of Integrity and Fairness in everything that it does.
- A Marshall company is successful in its chosen markets and People are at the heart of that success.
- A Marshall company maintains its competitive edge through Innovation and an adherence to the founding tradition of a Spirit of Adventure.

These values are the basis on which we continue to build the business and all new employees are fully briefed on these values when they first start with us. They underpin how we interact daily with our wider stakeholder community as follows:

OUR CUSTOMERS

Ensuring that our customers' experience of Marshall is positive remains a core objective for everyone in the business. Levels of customer satisfaction are now measured across all of our businesses following the introduction of an external, independent survey in 2011 for Marshall Aerospace, Marshall Land Systems and Cambridge Airport. Each of the Marshall Motor Group businesses is measured independently by their manufacturer or by the Motor Group, and Marshall Leasing is signed up to an independent leasing industry survey. These are summarised and reported to the directors in the autumn.

Of particular note in 2011 was Marshall Specialist Vehicles being named as the No.1 supplier to the Ministry of Defence. Marshall Aerospace also improved its ranking in the same survey.

PEOPLE

Delivering outstanding customer service requires a team of happy, conscientious and well-motivated employees working together. These teams need to be well lead and their contribution to the Group's success recognised, so that they feel engaged with the Group and our objectives.

GREAT PLACE TO WORK™

In 2011, for the first time, every Marshall employee was enrolled in the annual Great Place to Work™ (GPTW) survey, which is run by the GPTW Institute, an independent organisation which surveys millions of employees working for thousands of companies in the UK and across the world.

Marshall Motor Group and Marshall Leasing were taking part for the fourth year running and have been able to demonstrate how measuring levels of employee engagement and acting on areas for improvement can significantly improve the levels of engagement. For the second year running, these two business were ranked overall as Great Places to Work by the Institute and we are proud of this achievement, especially in a year when, nationally across the whole survey, scores typically dropped.

In all of our businesses, we were delighted by the high participation rates achieved which demonstrates a high level of engagement within the Group. As always, the survey results have highlighted areas for improvement which are being acted upon following an in-depth briefing process in each company.

MAVTA AWARDS

The MAVTAs were launched in June 2011 when nominations opened. A large number of employees from across the businesses were nominated by their colleagues in one of the five categories:

- Customer Service
- Teamwork
- Leadership
- Innovation
- Services in the Community

These new awards enable high profile recognition of extraordinary contributions by individual employees or teams in each of the operating companies. The awards were presented at a gala dinner in the historic Hall at King's College in Cambridge with over 250 employees and their partners present, including a number from our operations in Canada.

MARSHALL LEADERSHIP DEVELOPMENT PROGRAMME

Recognising that successful teams need effective leadership, we have committed to and invested significantly in the Marshall Leadership Development Programme for 2012/13. Nearly 250 senior leaders, from across all of our businesses, have already been enrolled in this programme which begins in May and will run through to the end of the year. Beyond that, a selected group of potential future leaders will be identified and will go through a comprehensive leadership development programme to prepare them for future roles within the Group.

MARSHALL NETWORK

At the time of our Centenary in 2009, we encouraged the young people in our business to get together to engage with their peers across the Group to get involved with the plans for our Centennial celebrations. This proved popular and successful and this group has continued its work since, getting involved with projects in our operating companies and also becoming an active core part of our Sports & Social Club.

We have reaffirmed our commitment to the Marshall Network, as it is now known, and they are working, with our support, to capitalise on their early success to become an integral part of our businesses, helping us to engage with the next generation of potential leaders from the moment they join the Group.

INTEGRITY & FAIRNESS
Over and above compliance with the law and the many regulations which impact on our businesses, since the very early days of the Group, we have always striven to display the highest levels of integrity in all our dealings with our stakeholders.

Our much respected Ethics Book is being updated and reprinted in 2012 and will be reissued to every employee in the business. It is also used extensively with our business partners and suppliers to demonstrate our commitment to ethical behaviour.

THE COMMUNITY
We have always recognised and continue to do so that many of our business activities rely on the active support of the communities in which they are located, whether for supplying our employees, being our customers or more generally welcoming our presence because of our contribution to the local community or economy.

We continue actively to encourage employees from across all of our businesses to get involved with local community initiatives, including in the voluntary and charitable sectors and we support many thousands of local events and good causes either directly or indirectly.

ENVIRONMENT
We continue to work to reduce the impact on the local environment of each of our businesses and we have a particular focus on reducing energy consumption across all our sites. This is being reinforced by the introduction of a new MAVTA Award in 2012 for the best environmental initiative.

We also monitor the development of the UK Government's CRC Carbon Reduction Commitment tax scheme and we were one of the groups which met the initial reporting obligations on time. The projected increasing cost of this tax on our businesses will further drive each of the operating companies to reduce their energy consumption in successive years.

Each operating company maintains an appropriate governance structure for the management of environmental risks and challenges and this is brought together at Group level with an overriding Group Environmental Committee which monitors progress and compliance in each of the operating companies.

HEALTH & SAFETY
We are committed to safeguarding the health and safety of our employees, customers, suppliers and visitors to the Group's premises. Our operating companies employ dedicated health and safety specialists to work with the management teams and employees to ensure the proper implementation of and compliance with our health and safety policies.

As we prepare this report, we are delighted again to have our commitment to maintaining a positive safety culture recognised by RoSPA, with two gold awards and two silver awards. This is the tenth consecutive gold award for Marshall Specialist Vehicles and the eleventh for Marshall Aerospace, who receive their first and second President's Awards respectively, for this achievement. It is the second silver award for Marshall Motor Group, in only their second year of assessment by RoSPA and also a fourth silver award for Marshall Vehicle Engineering.

RISK MANAGEMENT
Managing our risks sensibly and effectively should ensure that we are taking an appropriate mix of risk and exploiting opportunities, without exposing the Group's reputation and financial stability. Taking risks is an inevitable aspect of the businesses in which we operate and, therefore, risk management is a fundamental part of achieving our strategy. The Group aims to provide a mix of guidance appropriate to the needs of our diverse operating companies. This ensures that a robust process is in place to manage risks across the Group.

A structured method for risk identification, prioritisation and control has been established in order to:

- Ensure consistency and alignment across the Group;
- Manage our risks effectively;
- Communicate the risk management process;
- Provide guidance to those applying the risk management process;
- Detail the risk management process to be followed within the operating companies and at Group level;
- Communicate the requirements for risk management within the Group; and
- Assist in embedding a risk management culture within the Group.

Within the year the Group launched its revised Risk Management Guidelines and Framework. The Group's risk management policy statement was formally approved by the Audit Committee in December 2011. Furthermore the 2012 Internal Audit programme has been devised around the newly created risk registers to provide sufficient comfort to the Audit Committee and Holdings Board.

In addition to the monthly monitoring of their risks, each of the operating companies is required to update its risk reporting dashboard, which documents the top five risks and their status, on a quarterly basis. Furthermore, a full risk register update is presented to the Audit Committee each year, by Internal Audit, on the processes adopted by the operating companies to ensure the risk management framework is operating as intended.

ANTI-BRIBERY
With support from a cross-Group steering committee, all of our operating companies had updated policies and procedures in place in time for the implementation of the UK Bribery Act 2010 on 1st July 2011. This includes an online training module which is completed by all employees identified as working in an 'at risk' environment. It also forms part of our induction process for all new colleagues.

Corporate Governance

CORPORATE GOVERNANCE

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

Set out below are the key arrangements which have applied during 2011.

BOARD COMPOSITION

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

As at 24th April 2012 the Board comprised of the Chairman, six executive directors and five non-executive directors. The current members of the Board, together with their biographical details, are shown on page 29.

J.C.G. Stancliffe retired from the Board at the Annual General Meeting on 8th June 2011 and A.E. Cook was appointed Deputy Chairman with effect from that day.

S. Fitz-Gerald, Chief Executive of Marshall Aerospace, was appointed a director on 26th July 2011 and J.D. Barker became a director on 27th March 2012, having been Company Secretary for many years.

ROLE OF THE BOARD

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

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

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

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

BOARD INDEPENDENCE

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

SENIOR INDEPENDENT DIRECTOR

With J.C.G. Stancliffe's retirement from the Board, A.E. Cook assumed the roles of Deputy Chairman and Senior Independent Non-executive Director, providing an additional contact point for shareholders if the normal contact channels are considered inappropriate.

INDUCTION AND DEVELOPMENT

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

BOARD MEETINGS

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

The Chairman holds meetings with the non-executive directors without the executive directors present when he deems it necessary.

The number of meetings of the Board, the Audit Committee and the Remuneration Committee held during the year, and directors' attendance thereat, is given on page 27. The Board also met informally in 2011 to discuss strategic issues and other business developments.

Directors' attendance at meetings of the Board, and Audit and Remuneration Committees during 2011

Meetings	Holdings		Audit		Remuneration	
	Board		Committee		Committee	
	Attended	Held*	Attended	Held*	Attended	Held*
Sir Michael Marshall	12	12			3	3
P.W. Callaghan	11	12				
A.E. Cook	12	12				
W.C.M. Dastur	12	12				
S. Fitz-Gerald^	4	5				
D. Gupta	12	12				
P.J. Harvey	11	12	4	4		
R.D. Marshall	12	12				
Sir Ralph Robins	12	12	4	4	3	3
C.J. Sawyer	12	12	4	4	3	3
S.J. Sillars	12	12			3	3
J.C.G. Stancliffe	6	6				

* During the period a director was in office or a member of the relevant committee.
^ S. Fitz-Gerald was appointed to the board in July 2011; he was invited to, and attended, the 6 prior meetings in 2011.

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

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

R.D. Marshall, W.C.M. Dastur, J.D. Barker, the external audit partner and the internal audit manager also attend each meeting at the request of the committee chairman.

The Audit Committee has also undergone a recent independent review to assess its efficiency and effectiveness. The review concluded that the Audit Committee would probably be in the top decile of comparable, national performers, of both private and listed companies.

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

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

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

The committee remains satisfied with the effectiveness of the external auditor and after review, the Audit Committee has recommended to the Board that the re-appointment of the external auditor be proposed to shareholders at the Annual General Meeting to be held on 30th May 2012.

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

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

The internal audit manager, G.J Moynehan, was promoted to become Financial Controller at Marshall Aerospace during the year and was subsequently replaced. This role continues to provide a unique opportunity to gain experience and exposure to the whole Group. Our ability, yet again, to fill a senior role with an experienced and knowledgeable internal candidate is invaluable.

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

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

Risk Management
The UK Corporate Governance Code is in place to help company boards become more effective and more accountable to their shareholders. Among its recommendations is a requirement for the Board to undertake a formal annual review of a company's risk management system. Under its delegated authority the Audit Committee has responsibility for undertaking this review on behalf of the Board.

The Audit Committee approved and, with Board agreement, instituted during 2011 a comprehensive Risk Management framework which has been adopted by all Group operating subsidiaries. This framework is supported by detailed policies which are in full effect from 1st January 2012. This should ensure that a consistent structured approach applies across the Group, to identifying, evaluating, managing and monitoring the key risks which face the Group.

NOMINATIONS COMMITTEE
Composition of the committee
The committee is chaired by Sir Michael Marshall supported by two independent non-executive directors.

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

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

EXECUTIVE REMUNERATION
The Chairman has a Remuneration Committee to advise him in the process of setting and reviewing executive remuneration. This committee met on three occasions during 2011 and then again in early 2012.

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

DIALOGUE WITH SHAREHOLDERS
The Board recognises that the Annual General Meeting provides shareholders with an important opportunity to receive information on the Group's business performance and to meet with the Board. The Chairman, the executive directors and Board committee chairmen were present at the 2011 AGM.

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

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

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

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

ANTI – BRIBERY
The Board approved in 2011 an updated Group code and policy. These systems and controls were put in place to ensure that the Group has appropriate and relevant procedures in place for the prevention of bribery and corruption, bearing in mind the new requirements of the UK Bribery Act 2010 which came into force in 2011. The Group has also approved and instituted training to support this code of conduct. The Group's code of Business Ethics, first issued in 2006, has been, and continues to be, updated.

GOING CONCERN
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Group Chief Executive's Review on pages 4 to 21. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 23. In addition, the Directors' Report on pages 30 to 33 includes a description of the principal risks and uncertainties facing the Group.

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

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

The Board

CHAIRMAN

SIR MICHAEL MARSHALL CBE DL FRAeS *° **Appointed to main Board in 1960** Having joined the Group in 1955, he was appointed a director in 1957. In 1990, he became Chairman and Chief Executive of the whole Group. He is a Deputy Lieutenant of Cambridgeshire, Honorary Air Commodore of No 2623 (East Anglian) Squadron RAuxAF, Past President of The Air League, a Fellow of the Royal Aeronautical Society, a Companion of the Institute of Management, a Vice President of the Institute of the Motor Industry and President of the Addenbrooke's Charitable Trust. Aged 80.

NON-EXECUTIVE DIRECTORS

A.E. COOK CBE * **Appointed 2010**
Currently chairman of WS Atkins plc, he is a chartered engineer with over 30 years' international experience in the automotive, aerospace and defence industries. Formerly chief executive of Cobham PLC, he held senior roles at GEC-Marconi, BAE Systems and Hughes Aircraft. He is also chairman of SELEX Galileo Ltd, as well as chairing a number of advisory boards for the Government. He is a fellow of the Royal Academy of Engineering. Aged 62.

P.J. HARVEY ACIB DipFS †* **Appointed 2008**
He is a former Chief Executive of Barclays Commercial Banking and, latterly, until his retirement in 2008, Vice Chairman of Barclays UK Banking. He is now a Non-Executive Director of Cooperative Banking Group and an advisor to the City law firm Berwin, Leighton, Paisner. He is a member of the Chartered Institute of Bankers. Aged 56.

SIR RALPH ROBINS DL FREng FRAeS †° **Appointed 2004**
He retired as Chairman of Rolls-Royce plc in January 2003, and is a former Chairman of Cable & Wireless plc and the Defence Industries Council. He is also a former President of the Society of British Aerospace Companies and Director of several international companies. He is a Deputy Lieutenant of Derbyshire and a Freeman of the City of London. Aged 79.

C. J. SAWYER †° **Appointed 2008**
Developed Deltron Electronics Plc into a European-leading manufacturer and distributor of niche components, which he sold during 2006. He is now Chairman of businesses engaged in recruitment, engineering consultancy and automotive parts distribution. He is a Fellow of the RSA, IOD, Chartered Management Institute and is a Freeman of the City of London. Chairman of the Audit Committee. Aged 65.

S.J. SILLARS OBE FIMI ° **Appointed 2004**
Executive Chair; Institute of the Motor Industry - The Sector Skills Council & Professional Body for the Retail Motor Industry. She is also Independent Director on the Motor Cycle Industry Association Board, a Trustee of BEN, the benevolent charity for the Automotive Industry, a UK Youth Patron, a Court Assistant with the 'Coachmakers & Coach Harness Makers' and a Freeman of the City of London. Aged 53.

AUDITOR
Ernst & Young LLP

BANKERS
Barclays Bank PLC
Lloyds TSB Bank plc
HSBC Bank plc
Santander UK plc

INSURANCE BROKERS
Willis

PENSION AND ACTUARIAL ADVISERS
Buck Consultants

PROPERTY ADVISERS
Bidwells
Russells

SOLICITORS
Bird & Bird
Eversheds
Greenwoods
Mills & Reeve

REGISTERED OFFICE
Airport House
Newmarket Road
Cambridge
CB5 8RY

REGISTERED NUMBER
2051460

www.marshallgroup.co.uk

EXECUTIVE DIRECTORS

R.D. MARSHALL FRAeS **Appointed 2000**
Group Chief Executive, he joined Marshall Aerospace in 1995 and was appointed a Director in 1999 before moving to Marshall SV as Chief Executive in 2000. He has been Chairman of Marshall Land Systems since January 2006 and was appointed Executive Chairman of Marshall Motor Holdings in 2007. He became Group Chief Executive from 1st January 2012 having been Chief Operating Officer since 2010. He is a Fellow of the Royal Aeronautical Society. Aged 49.

P. CALLAGHAN MBA, FIFT **Appointed 2009**
Currently Chief Executive of Marshall Land Systems, prior to joining Marshall, he was Managing Director of the Smiths Detection NBC business. He has served as a Non-Executive Programme Board Member for the UK MoD. His previous experience has encompassed the mining, engineering and automotive components industries. Aged 61.

W.C.M. DASTUR FCA **Appointed 1996**
Formerly a partner with Ernst & Young, he joined the Group and the Board in 1996 as Group Financial Director. He acts as Chairman of the Trustees for the Group's various pension funds. He is also Chairman of Ely Cathedral Finance Investment Advisory Committee, a Fellow of the RSA and a Freeman of the City of London. Aged 59.

S. FITZ-GERALD FRAeS **Appointed 2011**
He was appointed as Chief Executive of Marshall Aerospace in January 2011, having previously been President of Cobham Aviation Services. He has 25 years of experience in the defence industry with Plessey, Marconi and BAE Systems. He is also a Fellow of the Royal Aeronautical Society and the Institute of Directors. Aged 54.

D. GUPTA **Appointed 2009**
He joined the Group in 2008 as Chief Executive of Marshall Motor Holdings. He was previously Group Managing Director for Ridgeway Group where he continues to be a Non-Executive Director. Formerly Chief Operating Officer of Accident Exchange Group PLC, he has had roles in motor retail as General Manager at the Camden Retail Group and Franchise Director for Inchcape PLC for 7 years where he was responsible for the Volkswagen, Audi and Mercedes Benz brands. Aged 41.

COMPANY SECRETARY

J.D. BARKER ACIB ACIS **Appointed 2012**
Formerly with Lloyds Bank plc before joining the Marshall Group in 1976. He is a member of the Chartered Institute of Bankers and the Institute of Chartered Secretaries and Administrators and was appointed Company Secretary of the Group in 1993. He is Company Secretary of all principal Group companies and the Audit Committee. He was appointed a director on 27 March 2012 and will stand down as Company Secretary at the AGM. He is also a Trustee for the Group's various pension schemes. Aged 61.

GROUP FINANCIAL CONTROLLER AND HEAD OF GROUP INSURANCE

S.J. MOYNIHAN FCA
She joined the Group in 1997 and became Group Financial Controller in 2000 and Head of Group Insurance in 2002. She was formerly with Ernst & Young. She will be appointed Company Secretary of the Group at the AGM. She is also a trustee for two of the Group's pension schemes. Aged 42.

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

DIRECTORS' REPORT

MARSHALL OF CAMBRIDGE (HOLDINGS) LIMITED
REGISTERED NUMBER: 2051460

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 31st December, 2011.

RESULTS AND DIVIDENDS

The Group recorded a profit after tax and minority interests for the year of £6,695,000 (2010 - £3,287,000). On 22nd December 2011, the Board paid a priority dividend of 2p per share on the non-voting priority ordinary (NVPO) shares, together with an interim dividend of 0.5p per share for both ordinary and NVPO shareholders. The directors recommend a final dividend of 1.25p per ordinary and NVPO share making a total for the year of 1.75p per ordinary share and 3.75p per NVPO share. In accordance with FRS 21, the final dividend of 1.25p is not shown as a liability in the financial statements as it has been proposed after the balance sheet date and will be included in the financial statements for 2012. Preference dividends on the 'A' and 'B' preference shares amounting to £744,000 were paid in the year.

PRINCIPAL ACTIVITIES

The activities of the Group consist principally of general engineering within the aerospace and defence sectors together with the business of car and commercial vehicle sales, service, hire and associated activities, and the holding and rental of property. The principal activity of the Company is that of an investment holding company.

REVIEW OF THE BUSINESS

The Group recorded an increased pre-tax profit of £8.5m in the year with a Group operating profit of £9.4m. The results were underpinned by improved profitability from Marshall Aerospace and continuing good results from Marshall Leasing and Marshall Land Systems who both produced another year of improved profitability. Marshall Motor Group had a poor year as the general lack of retail demand in the UK also impacted heavily on the motor retail sector.

Marshall Aerospace and Marshall Land Systems both recorded solid results despite a climate of reduced UK defence spending. Marshall Aerospace concentrated on its traditional strengths and core contracts for the Hercules C-130 and TriStar whilst Marshall Land Systems exploited its protected workspace niches and grew its international business. Marshall Land Systems also completed the acquisition of LifTow.

Marshall Motor Group continued to outperform the market decline and a number of its national and local competitors, in what was generally seen as a depressed motor retail market. Marshall Leasing's operations had another year of outperformance with further profit growth underpinning a solid performance generally for yet another outstanding year such that overall Marshall Motor Holdings recorded another year of profitability. Marshall Motor Group acquisition activity continued apace with the acquisition of a further 5 franchises in the year. Elsewhere in the Group, the emphasis was on bedding in and exploiting the businesses and operations acquired in previous years.

The Group entered 2012 with a reduced order book for its engineering businesses, and with UK defence spending under pressure, which may well present some longer-term challenges and possibly opportunities. Emphasis on business development and opportunities in overseas markets are expected to become more important in the forthcoming year for both engineering businesses. As in 2010 and 2011, the prospects for the motor retail market continue to remain mixed but the Marshall Motor Group, with its highly focused management team, remains confident that it can emulate, if not surpass, the trading performance of its peer group whilst continuing to look for further opportunities for expansion and growth. The vehicle and refrigeration support activities continue to face, as in previous years, a challenging and competitive environment but remain focused on improving market penetration, sales and after sales. Being cost efficient and effective whilst ensuring that the appropriate amounts of investment are made in its businesses, facilities, people and values to provide a solid base for strong trading performance and future success across its businesses remains a priority for the Group. This is reinforced by the continuing commitment to balance short-term performance with long-term sustainability through capital expenditure and investment in property and infrastructure improvements.

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

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

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

RESEARCH AND DEVELOPMENT

The Group continues to be committed to research and development especially in its engineering businesses in order to maintain a competitive position in all its market segments (see note 4).

POST BALANCE SHEET EVENTS

The financial statements take into consideration events occurring between the year end date and the date of their approval by the Board of Directors, as indicated on the balance sheet. On 23rd January, 2012, Marshall of Cambridge (Motor Holdings) Limited acquired 100% of the share capital of F Cross & Son Limited for £1,650,000.

RISK ASSESSMENT

The factors described below highlight risks and uncertainties which affect the Group but are not intended to be an exhaustive analysis of all the potential risks which may arise in the ordinary course of business or otherwise. Some risks may be unknown to the Group and other risks, currently regarded as immaterial, could turn out to be material. The Board has established what it believes is an appropriate internal control environment designed to identify, manage and mitigate these risks. The Audit Committee reviews the effectiveness of the Group's internal controls on a regular basis and reports its findings to the Board. This process is described in the Corporate Governance section on pages 26 to 28.

Business conditions, general economy and Government policy

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

Group strategic objectives

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

Complexity of major projects

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

Engineering and product safety

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

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

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

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

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

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

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

The 'block exemption' regulations under EC law suspend normal competition rules to allow motor manufacturers and distributors to operate specialised distribution and repair outlets. The current rules expire in 2013 and are not expected to change current methods of operating for the Group, but any significant change to this position could have an adverse impact on the Group's motor franchise operations.

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

Reliance on certain members of management and staff
The Group is dependent on members of its senior management team and skilled personnel and the loss of the service of a number of such individuals could have a material adverse effect on the business. The future financial well-being of the Group does, therefore, depend in part on its ability to attract and retain highly skilled management and personnel as well as ensuring succession plans are appropriate. Additionally, the failure to recruit and retain adequate numbers of skilled staff might impact on the ability to continue to grow the business.

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

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

FINANCIAL RISKS

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

Cash forecasts identifying the liquidity requirements for the Group are produced regularly and are reviewed regularly by the Group Finance function and the Board to ensure that the Group has sufficient cash resources or facilities for at least a 12 month period. The Group's policy is to maintain a minimum level of facilities and ensure the funding of the Leasing fleet is achieved partly by debt matched in its maturity to the life of the vehicles leased out. As at 31 December, 2011, the Group had cash balances of £24.9m and available undrawn facilities of at least £25m.

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

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

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

DIRECTORS' REPORT

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

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

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

FIXED ASSETS
The Group invested £35.3m (2010 - £31.3m) in new fixed assets and a further £2.6m (2010 - £8.5m) in new businesses. The Group's freehold investment properties were revalued by the directors, as at 31st December, 2011 at £8,390,000 (2010 - £8,515,000). A revaluation deficit of £125,000 (2010 - £550,000) has been taken to the revaluation reserve. Other tangible fixed assets' details and movements can be found in note 13 to the financial statements.

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

DIRECTORS
The directors who served during the year were:-

Sir Michael Marshall (Chairman)
A.E. Cook (Deputy Chairman)
R.D. Marshall
P. Callaghan
W.C.M. Dastur
S. Fitz-Gerald (appointed 26th July 2011)
D. Gupta
P.J. Harvey
Sir Ralph Robins
C.J. Sawyer
S.J. Sillars
J.C.G. Stancliffe (retired 8th June 2011)

J.D. Barker was appointed a director from 27th March 2012.

At the forthcoming Annual General Meeting, A.E. Cook, W.C.M. Dastur and Sir Ralph Robins retire by rotation, and, being eligible, offer themselves for re-election. J.D. Barker and S. Fitz-Gerald retire on first appointment, and, being eligible, offer themselves for re-election.

The interests of the directors of Marshall of Cambridge (Holdings) Limited and their families in the shares of the Company at 31st December 2011 were:

	Sir Michael Marshall*		R.D. Marshall**		W.C.M. Dastur	
	Beneficially	As trustee	Beneficially	As trustee	Beneficially	As trustee
Ordinary shares of 12.5p each	3,042,150	7,289,890	205,900	29,500	-	29,500
NVPO shares of 12.5p each	2,349,900	20,974,510	53,983	373,167	60,000	206,500
8% preference 'A' shares of £1 each	240,000	2,462,666	-	60,666	-	60,666
10% preference 'B' shares of £1 each	180,000	1,829,333	-	28,333	15,000	28,333

The interests of the directors of Marshall of Cambridge (Holdings) Limited and their families in the shares of the Company at 1st January, 2011 were:

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

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

** R.D. Marshall has a life interest in one eleventh of the income from 2,199,842 ordinary shares, 6,259,774 NVPO shares, 771,268 8% 'A' preference shares and 577,951 10% 'B' preference shares out of the total referred to above in the trustee column.

DIRECTORS' REPORT

EMPLOYMENT POLICIES

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

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

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

SOCIAL POLICY

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

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made various charitable contributions during the year totalling £84,000 (2010 - £91,000). There were no political donations.

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.

AUDITOR

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

BY ORDER OF THE BOARD

J. D. Barker
Secretary
24th April, 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31st December, 2011

	Notes	2011 £000	2010 £000
TURNOVER			
Existing operations		**985,134**	844,483
Acquisitions		**17,613**	39,491
GROUP TURNOVER: continuing operations	2	**1,002,747**	883,974
Cost of sales		**(819,128)**	(705,718)
GROSS PROFIT		**183,619**	178,256
Distribution and selling costs		**(6,300)**	(5,805)
Administrative expenses		**(168,125)**	(167,334)
Other operating income		**172**	87
OPERATING PROFIT			
Existing operations		**9,769**	5,062
Acquisitions		**(403)**	142
GROUP OPERATING PROFIT: continuing operations	2/4	**9,366**	5,204
Profit on disposal of tangible fixed assets	5	**622**	1,128
PROFIT ON ORDINARY ACTIVITIES BEFORE INVESTMENT INCOME, INTEREST AND TAXATION		**9,988**	6,332
Income from investments		**36**	12
Interest receivable and similar income	6	**208**	91
Interest payable and similar charges	6	**(1,884)**	(1,214)
Other finance income / (costs)	33	**178**	(24)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**8,526**	5,197
Tax on profit on ordinary activities	8	**(1,843)**	(1,903)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**6,683**	3,294
Equity minority interests	25	**12**	(7)
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF THE PARENT COMPANY	23	**6,695**	3,287
BASIC AND DILUTED EARNINGS PER ORDINARY SHARE	9	**10.1p**	4.3p
UNDERLYING EARNINGS PER ORDINARY SHARE	9	**11.8p**	5.1p

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31st December, 2011

	Notes	2011 £000	2010 £000
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION ATTRIBUTABLE TO SHAREHOLDERS		**6,695**	3,287
Unrealised deficit on revaluation of investment properties	23	**(125)**	(550)
Actuarial (loss) / gain recognised on defined benefit pension scheme	33	**(6,249)**	1,681
Tax credit / (charge) on actuarial (loss) / gain	8c	**1,514**	(501)
Net exchange gain on retranslation of overseas subsidiaries	23	**3**	-
TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST ANNUAL REPORT AND FINANCIAL STATEMENTS		**1,838**	3,917

GROUP STATEMENT OF CASH FLOWS

for the year ended 31st December, 2011

	Notes	2011 £000	2010 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	31	**13,443**	58,158
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends received from investments		**36**	12
Interest received		**208**	101
Interest paid		**(928)**	(801)
Interest element of finance lease rental payments and stock finance		**(956)**	(413)
		(1,640)	(1,101)
TAXATION			
UK corporation tax paid		**(2,973)**	(2,518)
Overseas tax paid		**(555)**	(1,045)
		(3,528)	(3,563)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire intangible fixed assets		**(103)**	-
Payments to acquire tangible fixed assets		**(34,828)**	(31,273)
Payments to acquire investments		**(407)**	(10)
Receipts from sales of tangible fixed assets		**7,120**	6,686
		(28,218)	(24,597)
ACQUISITIONS AND DISPOSALS			
Acquisition of businesses	12	**(1,254)**	(7,870)
Payment of deferred consideration on prior acquisition		**(1,316)**	(582)
		(2,570)	(8,452)
EQUITY DIVIDENDS PAID	11	**(2,494)**	(2,494)
NET CASH (OUTFLOW) / INFLOW BEFORE FINANCING	31	**(25,007)**	17,951
FINANCING			
New loans	19	**26,570**	27,439
Repayment of loans	19	**(25,331)**	(17,381)
Repayment of capital element of finance leases	31	**(57)**	(75)
		1,182	9,983
(DECREASE) / INCREASE IN CASH AT BANK AND IN HAND	31	**(23,825)**	27,934

GROUP BALANCE SHEET
at 31st December, 2011

	Notes	2011 £000	2010 £000
FIXED ASSETS			
Intangible assets	12	**11,213**	12,991
Tangible assets	13	**133,264**	129,516
Investments	14	**1,627**	1,094
TOTAL FIXED ASSETS		**146,104**	143,601
CURRENT ASSETS			
Stocks	15	**109,600**	108,320
Debtors	16	**102,097**	78,055
Cash at bank and in hand	31	**24,905**	48,730
		236,602	235,105
CREDITORS: amounts falling due within one year	17	**(187,217)**	(192,927)
NET CURRENT ASSETS		**49,385**	42,178
TOTAL ASSETS LESS CURRENT LIABILITIES		**195,489**	185,779
CREDITORS: amounts falling due after more than one year	18	**(31,183)**	(24,719)
PROVISION FOR LIABILITIES	21	**(2,577)**	(2,873)
NET ASSETS BEFORE PENSION LIABILITY		**161,729**	158,187
PENSION LIABILITY	33	**(6,386)**	(2,176)
NET ASSETS		**155,343**	156,011
CAPITAL AND RESERVES			
Called up share capital	22	**15,733**	15,733
Revaluation reserve	23	**1,933**	2,058
Capital redemption reserve	23	**130**	130
Profit and loss account	23	**137,500**	138,031
SHAREHOLDERS' FUNDS	24	**155,296**	155,952
Equity minority interests	25	**47**	59
TOTAL CAPITAL EMPLOYED		**155,343**	156,011

The financial statements of Marshall of Cambridge (Holdings) Limited were approved by the board of directors and authorised for issue on 24th April 2012. They were signed on its behalf by:

R. D. Marshall)
) Directors
W. C. M. Dastur)

COMPANY BALANCE SHEET
at 31st December, 2011

	Notes	**2011**	2010
		£000	£000
FIXED ASSETS			
Tangible assets	13	**332**	211
Investments	14	**17,666**	17,133
TOTAL FIXED ASSETS		**17,998**	17,344
CURRENT ASSETS			
Debtors	16	**35,496**	20,771
Cash at bank and in hand		**10,800**	34,941
		46,296	55,712
CREDITORS: amounts falling due within one year	17	**(35,757)**	(46,307)
NET CURRENT ASSETS		**10,539**	9,405
TOTAL ASSETS LESS CURRENT LIABILITIES		**28,537**	26,749
PENSION LIABILITY	33	**(6,386)**	(2,176)
NET ASSETS		**22,151**	24,573
CAPITAL AND RESERVES			
Called up share capital	22	**15,733**	15,733
Capital redemption reserve	23	**130**	130
Profit and loss account	23	**6,288**	8,710
SHAREHOLDERS' FUNDS	23	**22,151**	24,573

The financial statements of Marshall of Cambridge (Holdings) Limited were approved by the board of directors and authorised for issue on 24th April 2012. They were signed on its behalf by:

R. D. Marshall)
) Directors
)
W. C. M. Dastur)

1. ACCOUNTING POLICIES

Accounting convention and basis of preparation

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

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31st December each year. Entities, in which the Group holds an interest on a long-term basis and are jointly controlled by the Group and one or more other third party under a contractual arrangement, are treated as joint ventures. In the Group financial statements, joint ventures are accounted for using the gross equity method. Acquisitions are accounted for under the acquisition method.

Turnover

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

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the 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

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

Long-term contracts

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

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

Rendering of services

Turnover from the provision of services is recognised as the contract activity progresses to reflect the performance of the underlying contractual obligations.

Goodwill

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

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, from the date the asset is brought into use, at rates calculated to write off the cost or valuation, less estimated residual value, based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

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

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

Investment properties

Investment properties are revalued annually to open market value. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve, except that a deficit which is expected to be permanent and which is in excess of any previously recognised surplus over cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account. Depreciation is not provided in respect of freehold investment properties. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19 Accounting for Investment Properties. The financial effect of the departure from the statutory accounting rules is not material.

Investments

In the financial statements of the Company, investments in subsidiaries are accounted for at the lower of cost and net realisable value. All other fixed asset investments are shown at cost less provision for impairment, unless listed on the London Stock Exchange, where they are revalued to market price.

1. ACCOUNTING POLICIES (continued)

Stocks, work in progress and long term contracts

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

Research and development

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

Taxation

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

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

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

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

Pensions

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

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

Leases

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

Foreign currencies

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

Government grants

Government grants are credited to the profit and loss account as the related expenditure is incurred.

Post balance sheet events

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

2. SEGMENTAL ANALYSIS

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

	Turnover		Operating profit / (loss)		Net assets	
	2011	2010	**2011**	2010	**2011**	2010
	£000	£000	**£000**	£000	**£000**	£000
Business segments:						
Motor retail and leasing	**683,545**	581,316	**3,037**	9,978	**62,428**	66,579
Aerospace and airport	**252,724**	233,754	**8,702**	(3,621)	**47,489**	45,233
Land systems	**65,087**	67,454	**1,755**	1,807	**9,768**	9,401
Property rental and investment	**1,391**	1,450	**1,020**	877	**13,785**	11,093
Unallocated central costs	**-**	-	**(5,148)**	(3,837)	**(5,718)**	(18,303)
	1,002,747	883,974	**9,366**	5,204	**127,752**	114,003
Unallocated net assets	**-**	-	**-**	-	**27,591**	42,008
	1,002,747	883,974	**9,366**	5,204	**155,343**	156,011

	Turnover by destination		Turnover by origin		Operating profit		Net assets	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Geographical segments:								
UK	**928,399**	821,125	**979,955**	860,596	**6,465**	2,191	**121,823**	109,163
Rest of Europe	**32,620**	29,447	**2,934**	4,970	**999**	1,091	**237**	529
North America	**36,464**	27,587	**15,726**	14,188	**1,462**	1,874	**5,269**	4,231
Rest of World	**5,264**	5,815	**4,132**	4,220	**440**	48	**423**	80
	1,002,747	883,974	**1,002,747**	883,974	**9,366**	5,204	**127,752**	114,003
Unallocated net assets	**-**	-	**-**	-	**-**	-	**27,591**	42,008
	1,002,747	883,974	**1,002,747**	883,974	**9,366**	5,204	**155,343**	156,011

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

	2011	2010
	£000	£000
Unallocated net assets comprise:		
Fixed asset investments	**1,627**	1,094
Corporation tax	**1,595**	(88)
Deferred tax	**(536)**	(728)
Loans	**-**	(7,000)
Cash	**24,905**	48,730
	27,591	42,008

3. CONTINUING AND ACQUIRED OPERATIONS

In relation to the acquisitions during the year, continuing operations in 2011 include cost of sales £15,387,000; distribution and selling costs £139,000; and administrative expenses £2,490,000.

NOTES TO THE FINANCIAL STATEMENTS
at 31st December, 2011

4. OPERATING PROFIT

		2011	2010
		£000	£000
Operating profit is after charging / (crediting):			
Research and development	- current year expenditure	**566**	1,416
Auditor's remuneration	- audit of the financial statements of the Company	**41**	40
	- audit of subsidiary undertakings	**376**	361
	- taxation fees	**443**	497
	- other fees	**6**	5
Depreciation	- owned assets	**24,581**	23,150
	- leased assets	**50**	73
Amortisation	- goodwill	**1,595**	1,603
Operating lease rentals	- plant and machinery	**231**	114
	- land and buildings	**5,161**	4,402
Finance lease rental income	- motor vehicles	**(275)**	(365)
Operating lease rental income	- motor vehicles	**(17,638)**	(18,769)

5. PROFIT ON DISPOSAL OF TANGIBLE FIXED ASSETS

	2011	2010
	£000	£000
Profit on disposal of tangible fixed assets, net of taxation of £nil (2010 - £nil)	**622**	1,128

6. INTEREST

	2011	2010
	£000	£000
(a) Interest receivable and similar income		
Bank interest receivable	**66**	90
Interest receivable on tax repayments	**142**	1
	208	91

	2011	2010
	£000	£000
(b) Interest payable and similar charges		
Bank loans	**928**	801
Finance lease charges	**3**	8
Stock finance charges	**953**	405
	1,884	1,214

7. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the financial statements of the parent company was £4,807,000 (2010 - £3,931,000). No profit and loss account is presented for the parent company as permitted by section 408 of the Companies Act 2006.

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2011	2010
	£000	£000
(a) Analysis of tax charge for the year		
UK corporation tax charge on the profit for the year	**2,519**	1,419
Double taxation relief	**(85)**	(124)
UK corporation tax adjustment in respect of prior years	**(998)**	(349)
Overseas tax on profit for the year	**774**	1,072
Overseas tax adjustment in respect of prior years	**(205)**	(8)
Current tax charge	**2,005**	2,010
Deferred tax credit (see note 21)	**(162)**	(107)
Total tax charge	**1,843**	1,903

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

	2011	2010
	£000	£000
(b) Factors affecting current tax charge for the year		
Profit on ordinary activities before tax	**8,526**	5,197
Profit on ordinary activities before tax at 26.5% (2010 - 28.0%)	**2,259**	1,455
Effects of:		
Expenses not deductible for tax purposes	**893**	660
Capital allowances in excess of depreciation	**(522)**	(181)
Short term timing differences	**455**	257
Chargeable gains	**-**	14
Utilisation of tax losses previously not recognised	**-**	(187)
Adjustments in respect of prior years	**(1,203)**	(357)
Higher tax rates on overseas earnings	**123**	349
Current tax charge	**2,005**	2,010

	2011	2010
(c) Tax on actuarial loss / (gain) included in the statement of total recognised gains and losses		
Transfer to / (from) current tax for tax on excess pension contributions	**160**	(287)
Deferred tax (credit) / charge on actuarial loss / (gain)	**(1,514)**	501
Deferred tax (credit) / charge	**(1,354)**	214
Current tax (credit) / charge for tax on excess pension contributions	**(160)**	287
Tax (credit) / charge included in the statement of total recognised gains and losses	**(1,514)**	501

(d) Factors that may affect future tax charges
No provision has been made for deferred tax on gains recognised on revaluing property to its market value, or on the sale of properties where taxable gains have been rolled over into replacement assets. Such tax would become payable only if the properties concerned were sold without it being possible to claim rollover relief. The unprovided deferred tax liability in respect of these two elements is £5,730,000 (2010 - £6,410,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

In his Budget of 21 March 2012, the Chancellor of the Exchequer announced tax rate changes, which, if enacted in the proposed manner, will have an effect on the Company's future tax position. As at 31 December 2011, the tax rate changes announced in the Budget had not yet been ‘substantively enacted’ and as such, in accordance with accounting standards, the changes have not been reflected in the Company’s financial statements as at 31 December 2011.

The Finance Act 2011 reduced the main rate of UK corporation tax to 27% from 1 April 2011 and to 25% from 1 April 2012. Additional changes to the main rate of UK corporation tax announced in the Budget will reduce the main rate to 24% from 1 April 2013 and to 23% from 1 April 2014. Deferred tax assets and liabilities at 31 December 2011 have been calculated at 26.5% and the reduction in the deferred tax asset/liability has been included within the tax charge for the year. Further UK tax changes, subject to enactment, are a reduction from 1 April 2012 in the rate of capital allowances applicable to plant and machinery and to integral features from 20% to 18% and 10% to 8% respectively. The rate change and the capital allowance changes will also impact the future cash tax payment to be made by the Group.

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

9. EARNINGS PER ORDINARY SHARE

	2011	2010
	£000	£000
Profit after tax	**6,683**	3,294
Minority interests	**12**	(7)
Dividends on preference shares	**(744)**	(744)
Basic earnings	**5,951**	2,543
Exceptional items net of tax	**(622)**	(1,128)
Goodwill amortisation	**1,595**	1,603
Underlying earnings	**6,924**	3,018
Average number of ordinary shares in issue during the year (‘000)	**58,660**	58,660
Basic earnings per ordinary share	**10.1p**	4.3p
Underlying earnings per ordinary share	**11.8p**	5.1p

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

10. STAFF COSTS AND DIRECTORS' EMOLUMENTS

	2011	2010
	£000	£000
(a) Group staff costs		
Wages and salaries	**133,963**	133,216
Social security costs	**13,888**	13,533
Other pension costs (see note 33b)	**3,850**	3,719
	151,701	150,468

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

	2011	2010
The average monthly number of employees of the Group during the year was:	**No.**	No.
Motor retail and leasing	**1,878**	1,752
Aerospace	**1,727**	1,923
Land systems	**556**	560
Property rental and investment	**30**	25
	4,191	4,260

	£000	£000
(b) Directors' remuneration		
Emoluments	**2,893**	3,716
Compensation for loss of office	**-**	383
Long term incentive payments	**522**	273
Company contributions to defined benefit pension scheme	**78**	147
Company contributions to defined contribution pension scheme	**81**	44
	3,574	4,563

	No.	No.
Contributing members of defined benefit pension scheme	**2**	3
Contributing members of defined contribution pension scheme	**3**	1

	£000	£000
Remuneration of highest paid director:		
Emoluments	**460**	847
Long term incentive payments	**216**	-
Company contributions to defined contribution pension scheme	**48**	-
	724	847

11. DIVIDENDS

	2011	2010
	£000	£000
Dividends on ordinary shares:		
1.0p per ordinary share of 12.5p each paid on 1st July 2011 (2nd July 2010 - 1.0p)	**152**	152
0.5p per ordinary share of 12.5p each paid on 22nd December 2011 (23rd December 2010 - 0.5p)	**75**	76
	227	228
Dividends on NVPO shares:		
1.0p per ordinary share of 12.5p each paid on 1st July 2011 (2nd July 2010 - 1.0p)	**435**	435
2.5p per ordinary share of 12.5p each paid on 22nd December 2011 (23rd December 2010 - 2.5p)	**1,088**	1,087
	1,523	1,522
Dividends on preference shares:		
8.0p per 'A' preference share	**384**	384
10.0p per 'B' preference share	**360**	360
	744	744
Aggregate dividends declared and paid during the year	**2,494**	2,494

12. INTANGIBLE FIXED ASSETS

	Goodwill
	£000
Cost:	
At 1st January, 2011	17,788
Arising on acquisitions	754
Adjustment to cost of acquisitions	(937)
At 31st December, 2011	17,605
Amortisation:	
At 1st January, 2011	4,797
Provided during the year	1,595
At 31st December, 2011	6,392
Net book value:	
At 31st December, 2011	**11,213**
Net book value:	
At 1st January, 2011	12,991

The adjustment to cost of acquisitions of £937,000 relates to a revision to the contingent consideration payable in respect of the acquisition of Slingsby Holdings Limited and its related subsidiaries in 2009.

The acquisitions by Marshall Motor Group Limited of one franchise from Pendragon plc in April 2011 and four franchises from Pillings Motor Group in June 2011 and the acquisition by Marshall Vehicle Engineering Limited of the assets of LifTow Limited in December 2011 have been included at their provisional fair values at the date of acquisition, which are unchanged from book value at this date. The net assets at the date of acquisition are as follows:

	£000
Tangible fixed assets	142
Stock	463
Net assets	605
Provisional goodwill arising on acquisition	754
	1,359
Discharged by:	
Consideration paid	1,254
Consideration payable	105
	1,359

13. TANGIBLE FIXED ASSETS

Group	Land and buildings Freehold	Investment properties	Short leasehold	Plant and machinery	Aircraft	Motor vehicles	Assets held for contract rental	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation:								
At 1st January, 2011	76,032	8,515	3,249	102,484	8,826	6,244	66,220	271,570
Additions	947	-	389	6,106	33	417	26,936	34,828
Additions on acquisition	-	-	-	142	-	-	-	142
Disposals	(1,153)	-	-	(19,938)	(158)	(1,119)	(17,652)	(40,020)
Revaluation	-	(125)	-	-	-	-	-	(125)
Transfers	34	-	187	(221)	-	-	-	-
Exchange adjustment	-	-	-	30	-	-	-	30
At 31st December, 2011	75,860	8,390	3,825	88,603	8,701	5,542	75,504	266,425
Depreciation:								
At 1st January, 2011	27,986	-	1,259	82,730	1,713	4,544	23,822	142,054
Provided during the year	2,305	-	197	7,196	393	667	13,873	24,631
Eliminated on disposals	(895)	-	-	(19,759)	(158)	(988)	(11,722)	(33,522)
Transfers	-	-	2	(2)	-	-	-	-
Exchange adjustment	-	-	-	(2)	-	-	-	(2)
At 31st December, 2011	29,396	-	1,458	70,163	1,948	4,223	25,973	133,161
Net book value:								
At 31st December, 2011	**46,464**	**8,390**	**2,367**	**18,440**	**6,753**	**1,319**	**49,531**	**133,264**
Net book value:								
At 1st January, 2011	48,046	8,515	1,990	19,754	7,113	1,700	42,398	129,516

13. TANGIBLE FIXED ASSETS (continued)

Company	Plant, machinery & building refurbishments £000	Motor vehicles £000	Total £000
Cost:			
At 1st January, 2011	461	259	720
Additions	96	124	220
Disposals	(1)	(86)	(87)
At 31st December, 2011	556	297	853
Depreciation:			
At 1st January, 2011	334	175	509
Provided during the year	37	62	99
Eliminated on disposals	(1)	(86)	(87)
At 31st December, 2011	370	151	521
Net book value:			
At 31st December, 2011	**186**	**146**	**332**
Net book value:			
At 1st January, 2011	127	84	211

Assets acquired under finance leases

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

Group	£000
Cost:	
At 1st January, 2011 and at 31st December, 2011	376
Depreciation:	
At 1st January, 2011	312
Provided during the year	50
At 31st December, 2011	362
Net book value:	
At 31st December, 2011	**14**
Net book value:	
At 1st January, 2011	64

Assets acquired to let under finance leases

The Group has purchased motor vehicles with an original cost of £460,000 (2010 - £67,000) for the purposes of letting under finance leases which are not shown as tangible fixed assets.

Investment properties

Investment properties included in freehold land and buildings are stated at market value. No depreciation is provided in respect of such properties in accordance with SSAP 19 Accounting for Investment Properties. All other properties are included at original cost. The Group's freehold investment properties were informally valued on an open market basis by the Directors as at 31st December, 2011 at £8,390,000 (2010 - £8,515,000). A revaluation deficit of £125,000 (2010 - £550,000) has been taken to the revaluation reserve. The last formal valuation was undertaken at 31st December 2009, by Bidwells, Chartered Surveyors. The historical cost of the investment properties included at valuation in freehold land and buildings is £6,457,000 (2010 - £6,457,000).

14. INVESTMENTS

Group	Joint ventures	Listed on London Stock Exchange*	Other investments	Total
	£000	£000	£000	£000
Cost:				
At 1st January, 2011	11	994	113	1,118
Additions	-	-	407	407
Mark to market	-	126	-	126
At 31st December, 2011	11	1,120	520	1,651
Provision:				
At 1st January, 2011 and at 31st December, 2011	11	-	13	24
Net book value:				
At 31st December, 2011	**-**	**1,120**	**507**	**1,627**
Net book value:				
At 1st January, 2011	-	994	100	1,094

Marshall of Cambridge Aerospace Limited holds 50% of the issued ordinary share capital of BRAMA Brown & Root and Marshall Aerospace Limited (BRAMA). This company is disclosed as a joint venture and has been accounted for in accordance with the Group's accounting policy. The company was registered in England and Wales, did not trade during the year and was dissolved on 7th February 2012.

Company	Subsidiary undertakings	Listed on London Stock Exchange*	Other investments	Total
	£000	£000	£000	£000
Cost:				
At 1st January, 2011	26,050	994	102	27,146
Additions	-	-	407	407
Mark to market	-	126	-	126
31st December, 2011	26,050	1,120	509	27,679
Provision:				
At 1st January, 2011 and at 31st December, 2011	10,000	-	13	10,013
Net book value:				
At 31st December, 2011	**16,050**	**1,120**	**496**	**17,666**
Net book value:				
At 1st January, 2011	16,050	994	89	17,133

* The original cost of investments listed on the London Stock Exchange is £185,000 (2010 - £185,000)

14. INVESTMENTS (continued)

The Company's direct investments in subsidiary undertakings at 31st December, 2011 were as follows:

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

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

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

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

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

On 23rd January, 2012, Marshall of Cambridge (Motor Holdings) Limited acquired 100% of the share capital of F Cross & Son Limited for £1,650,000.

Marshall Thermo King Limited and Marshall Fleet Solutions Limited are wholly owned subsidiaries of Marshall Land Systems Limited, and specialise in commercial and military vehicle repair and vehicle mounted refrigeration maintenance.

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

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

- * Aeropeople Limited
- ** Aeropeople GmbH
- ** Aeropeople Srl
- * Slingsby Holdings Limited
- *** Slingsby Limited
- *** Slingsby Advanced Composites Limited
- *** Slingsby Aerospace Limited
- *** Slingsby Aviation Limited
- * Marshall Aerospace Canada, Inc.
- * Marshall Aerospace Netherlands B.V.
- * Marshall Aerospace Australia PTY Limited
- * + Marshall Aerospace U.S., Inc.

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

Aeropeople Limited supplies labour to the aerospace and associated industries. The Slingsby companies design, manufacture and market composite and metal structures for the defence, aerospace/aviation, marine and rail industries. All these subsidiary undertakings are registered in England and Wales.

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

15. STOCKS	Group 2011 £000	Group 2010 £000
Raw materials, components and consumables	**10,513**	14,873
Work in progress	**8,627**	14,008
Finished goods and goods for resale	**90,460**	79,439
	109,600	108,320

Progress payments receivable in excess of the value of work done on individual contracts less provisions for losses are shown separately under creditors: amounts falling due within one year in the balance sheet. At 31st December, 2011, the Group held new vehicles on consignment from manufacturers with a value of £44,916,000 (2010 - £30,818,000) which are included within finished goods and goods for resale. Of these vehicles, stock of £11,370,000 (2010 - £10,322,000) has a right of return to the manufacturer, which is rarely executed, and £33,546,000 (2010 - £20,496,000) has been invoiced. No deposit has been paid for these vehicles, and the terms of consignment vary by manufacturer and are between 90 days and 1 year. The difference between purchase price and production cost of stocks and their replacement cost is not considered material by the Directors.

16. DEBTORS	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Trade debtors	**59,615**	46,820	**4**	7
Amounts recoverable on long term contracts	**7,769**	12,365	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**31,813**	19,631
Other debtors	**28,217**	13,720	**-**	-
Prepayments and accrued income	**3,912**	4,416	**159**	129
Other taxes recoverable	**135**	125	**-**	-
Corporation tax receivable	**1,595**	-	**2,979**	742
Deferred tax asset	**-**	-	**541**	262
Finance lease debtors	**854**	609	**-**	-
	102,097	78,055	**35,496**	20,771

17. CREDITORS: Amounts falling due within one year	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Loans (see note 19)	**18,410**	23,245	**-**	7,000
Obligations under finance leases (see note 20)	**19**	57	**-**	-
Payments received on account	**6,025**	11,409	**-**	-
Trade creditors	**100,662**	89,110	**156**	58
Amounts owed to subsidiary undertakings	**-**	-	**30,847**	35,074
Corporation tax payable	**-**	88	**-**	-
Other taxation and social security costs	**11,653**	6,071	**189**	240
Other creditors	**13,291**	14,217	**-**	-
Accruals and deferred income	**37,157**	48,730	**4,565**	3,935
	187,217	192,927	**35,757**	46,307

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

	Group	
	2011	2010
	£000	£000
Loans (see note 19)	**23,838**	17,764
Obligations under finance leases (see note 20)	**-**	19
Accruals and deferred income	**7,345**	6,936
	31,183	24,719

19. LOANS

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Amounts falling due:				
Within one year	**18,410**	23,245	**-**	7,000
Between one and two years	**15,671**	11,547	**-**	-
Between two and five years	**8,167**	6,217	**-**	-
	42,248	41,009	**-**	7,000
Less: included in creditors: amounts falling due within one year	**(18,410)**	(23,245)	**-**	(7,000)
Amounts falling due after more than one year	**23,838**	17,764	**-**	-
Analysis of changes in loan financing during the year:				
At 1st January	**41,009**	30,951	**7,000**	-
New loans	**26,570**	27,439	**-**	7,000
Loans repaid	**(25,331)**	(17,381)	**(7,000)**	-
At 31st December	**42,248**	41,009	**-**	7,000

All loans are repayable within 5 years with a variable interest rate and are secured on vehicles leased to third parties.

20. OBLIGATIONS UNDER FINANCE LEASES

	Group	
	2011	2010
	£000	£000
Amounts falling due:		
Within one year	**20**	60
Between one and two years	**-**	20
	20	80
Less: finance charges allocated to future periods	**(1)**	(4)
	19	76
Included in creditors:		
Amounts falling due within one year	**19**	57
Amounts falling due after more than one year	**-**	19
	19	76

The finance leases are secured on the assets to which they relate.

21. PROVISION FOR LIABILITIES

	Group 2011 £000	Group 2010 £000
Warranty	**2,041**	2,145
Deferred tax	**536**	728
	2,577	2,873

	Group £000
(a) Warranty	
At 1st January, 2011	2,145
Arising during the year	589
Amounts utilised	(347)
Amounts reversed	(346)
At 31st December, 2011	**2,041**

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

(b) Deferred tax

The deferred tax liability / (asset) provided in the financial statements is made up as follows:

	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Accelerated capital allowances	**2,416**	2,144	**(11)**	(24)
Other short term timing differences	**(1,880)**	(1,416)	**(530)**	(238)
	536	728	**(541)**	(262)

The movement in the deferred tax liability / (asset) during the year is as follows:

	Group £000	Company £000
At 1st January, 2011	728	(262)
Credit to the profit and loss account for the year	(162)	(249)
Transfer to current tax for tax on excess pension contributions	160	160
Credit on actuarial loss	(1,514)	(1,514)
Increase in deferred tax asset on pension liability	1,324	1,324
At 31st December, 2011	**536**	**(541)**

The deferred tax credit in the profit and loss account for the year is made up as follows:

	Group 2011 £000	Group 2010 £000
Origination and reversal of timing differences	**(15)**	(120)
Adjustments in respect of prior periods	**(147)**	13
	(162)	(107)

The deferred tax liability not provided is made up as follows:

	Group 2011 £000	Group 2010 £000
Capital gains rolled over	**5,301**	5,946
Revaluation reserve	**429**	464
	5,730	6,410

22. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid			
	2011	2010	**2011**	2010	**2011**	2010
	£000	£000	**No. '000**	No. '000	**£000**	£000
Ordinary shares of 12.5p each	**1,955**	1,955	**15,091**	15,170	**1,896**	1,896
Non-voting priority dividend ordinary shares of 12.5p each	**7,645**	7,645	**43,569**	43,490	**5,437**	5,437
8% 'A' preference shares of £1 each	**4,800**	4,800	**4,800**	4,800	**4,800**	4,800
10% 'B' preference shares of £1 each	**3,600**	3,600	**3,600**	3,600	**3,600**	3,600
	18,000	18,000	**67,060**	67,060	**15,733**	15,733

Rights of non-voting priority dividend ordinary (NVPO) shares
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 dividend payable on the ordinary shares, together with a dividend per NVPO equal to the amount of any dividend declared on each ordinary share.
(ii) holders of NVPO shares cannot attend or vote at an AGM.

Rights of preference shares

(i) holders of preference shares are entitled, in priority to the holders of ordinary shares and the holders of NVPO shares, to non-cumulative preference dividends 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 shareholders.
(iii) holders of preference shares cannot attend or vote at an AGM.

23. CAPITAL AND RESERVES

Group	Share capital £000	Revaluation reserve* £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1st January, 2011	15,733	2,058	130	138,031	155,952
Profit for the year after minority interests	-	-	-	6,695	6,695
Dividends payable	-	-	-	(2,494)	(2,494)
Deficit on revaluation of investment properties	-	(125)	-	-	(125)
Actuarial loss net of tax	-	-	-	(4,735)	(4,735)
Net exchange gain on retranslation of overseas subsidiaries	-	-	-	3	3
At 31st December, 2011	**15,733**	**1,933**	**130**	**137,500**	**155,296**

*The revaluation reserve relates to investment properties only.

Company	Share capital £000	Capital redemption reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1st January, 2011	15,733	130	8,710	24,573
Profit for the year	-	-	4,807	4,807
Dividends payable	-	-	(2,494)	(2,494)
Actuarial loss net of tax	-	-	(4,735)	(4,735)
At 31st December, 2011	**15,733**	**130**	**6,288**	**22,151**

24. RECONCILIATION OF SHAREHOLDERS' FUNDS

	Group		Company	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Profit attributable to shareholders	**6,683**	3,294	**4,807**	3,931
Minority interests	**12**	(7)	**-**	-
Dividends	**(2,494)**	(2,494)	**(2,494)**	(2,494)
	4,201	793	**2,313**	1,437
Revaluation of investment properties	**(125)**	(550)	**-**	-
Actuarial (loss) / gain net of tax	**(4,735)**	1,180	**(4,735)**	1,180
Exchange difference on translation of overseas operations	**3**	-	**-**	-
Net (decrease) / increase in shareholders' funds	**(656)**	1,423	**(2,422)**	2,617
Shareholders' funds at 1st January	**155,952**	154,529	**24,573**	21,956
Shareholders' funds at 31st December	**155,296**	155,952	**22,151**	24,573

25. MINORITY INTERESTS

	£000
At 1st January, 2011	59
Minority interest loss on ordinary activities after taxation	(12)
At 31st December 2011	**47**

26. CONTINGENT LIABILITIES

Guarantees to third parties, granted by subsidiary undertakings, amounted to £925,000 (2010 - £2,098,000). At the year end there was no liability in respect of performance guarantees granted by the Company or subsidiary undertakings (2010 - £nil).

27. CAPITAL COMMITMENTS

	Group	
	2011	2010
	£000	£000
Authorised by the Board and contracted but not provided for	**1,378**	3,191

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

28. OTHER FINANCIAL COMMITMENTS

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

	Group			
	Land and buildings		**Other**	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Operating leases which expire:				
- within 1 year	**287**	415	**24**	5
- in 1 to 5 years	**1,566**	1,533	**395**	73
- over 5 years	**2,779**	2,100	**-**	-
	4,632	4,048	**419**	78

29. DERIVATIVES

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

	2011	2010
	£000	£000
Forward contracts for the purchase of foreign currency	**1,838**	811
Forward contracts for the sale of foreign currency	**-**	708

30. LOANS TO DIRECTORS

During 2011 two directors, D. Gupta and S. Fitz-Gerald, participated in a car purchasing loan scheme instead of being provided with company cars as part of their employment contract. This involved them purchasing cars from the Group and taking all the risks and rewards of ownership. These cars were subsequently sold back and new vehicles purchased. The Group provided them each with the funding as loans, on which interest was payable, at 4% per annum, to facilitate these purchases. At 31st December 2011, all loans had been repaid in full and since then the directors have arranged their own loan finance outside the Group.

The summary details of the loan funding provided is:

	D. Gupta	**S. Fitz-Gerald**
Period loan finance made available to directors	1st January 2011 to 30th December 2011	26th July 2011 to 30th December 2011
Maximum amount outstanding during year	£100,769	£47,599
No. of loans made in year	6	2
No. of loans outstanding at one point in year	2	1

31. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash inflow from operating activities	**2011**	2010
	£000	£000
Operating profit	**9,366**	5,204
Foreign exchange movement	**(29)**	-
Depreciation of tangible fixed assets	**24,631**	23,223
Amortisation of intangible fixed assets	**1,595**	1,603
Provision against fixed asset investments	**-**	24
Mark to market of fixed asset investments	**(126)**	(384)
(Increase) in stocks	**(817)**	(27,572)
(Increase) / decrease in debtors	**(22,447)**	18,390
(Decrease) / increase in provisions	**(104)**	195
Increase in creditors	**1,911**	38,125
Adjustment for pension funding	**(537)**	(650)
Net cash inflow from operating activities	**13,443**	58,158

(b) Analysis of net funds / (debt)	**At 1st January 2011 £000**	**Cash movement £000**	**Non - cash movement £000**	**At 31st December 2011 £000**
Cash at bank and in hand	48,730	(23,825)	-	**24,905**
Short term loans	(23,245)	2,003	2,832	**(18,410)**
Long term loans	(17,764)	(3,242)	(2,832)	**(23,838)**
Finance lease obligations	(76)	57	-	**(19)**
Net funds / (debt)	7,645	(25,007)	-	**(17,362)**

(c) Reconciliation of net cash flow to movement in net (debt) / funds	**2011**	2010
	£000	£000
(Decrease) / increase in cash	**(23,825)**	27,934
Cash inflow from new loans	**(26,570)**	(27,439)
Repayment of loans	**25,331**	17,381
Repayment of capital element of finance leases	**57**	75
(Decrease) / increase in net (debt) / funds	**(25,007)**	17,951
Net funds / (debt) at 1st January	**7,645**	(10,306)
Net (debt) / funds at 31st December	**(17,362)**	7,645

32. RELATED PARTIES

The parent company has claimed the exemptions under FRS 8 and has not disclosed transactions with 100% owned subsidiary undertakings. Transactions with 99% owned subsidiary undertakings are as follows:

	Amounts owed by / (to) subsidiary undertakings at the end of the year		**Amounts recharged by other subsidiary undertakings during the year**	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Marshall of Stevenage Limited	**1,743**	2,155	**348**	367
Marshall of Ipswich Limited	**(1,758)**	(623)	**522**	495
Marshall of Peterborough Limited	**1,180**	(1,043)	**347**	279

33. PENSIONS AND OTHER RETIREMENT BENEFIT COSTS

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

(b) The scheme which has elements of both defined benefit and defined contribution, is known as the Marshall Group Executive Pension Plan (the "Plan"). The defined contribution type schemes, which cover approximately 95% of scheme members, were established in 1982 and 1988. The total pension cost for the Group for the year in respect of all defined contribution schemes in the UK was £3,058,000 (2010 - £3,029,000). A further £234,000 (2010 - £89,000) was paid into defined contribution schemes overseas. The total defined benefit cost for the Group in respect of the Plan was £380,000 (2010 - £625,000) under FRS 17 of which £558,000 (2010 - £601,000) has been charged against operating profit and £178,000 has been credited (2010 - charged £24,000) to other finance costs.

(c) The Plan was assessed by a qualified independent actuary from Buck Consultants, as at 5th April, 2011 using the projected unit method and indicated a funding deficit of £754,000. To address the past service deficit, the Company and the Trustees have agreed that the Company will pay contributions of £235,000 annually in arrears over a period of three years. The valuation of the defined benefit section of the Plan under FRS 17 has been based on this actuarial valuation, updated by the actuary from Buck Consultants in order to assess the assets and the liabilities of the scheme as at 31st December, 2011. The assets and liabilities shown exclude those relating to defined contribution pensions.

i) The major financial assumptions used by the actuary were:	**2011**	2010
	%	%
Discount rate	**4.71**	5.45
Salary increase rate	**3.32**	3.80
Rate of revaluation in deferment	**1.51**	3.19
Pension increase rate:		
- price inflation, capped at 5.0%	**2.66**	3.05
- as above but subject to 3.0% floor	**3.45**	3.65
- as above but subject to 2.7% floor	**3.45**	3.65
Expected return on Plan assets	**6.90**	6.70
Retail price inflation rate	**2.71**	3.19
Consumer price inflation rate	**1.51**	n/a

The post retirement longevity assumption uses 73% of SIPxA tables, with CMI projections from 2008 with a long term rate of improvement of 1% per annum. The assumption used for 2010 was PCXA00, year of birth, medium cohort, rebased to 2008.

ii) Analysis of the amount charged against profits:	**2011**	2010
	£000	£000
Finance income / (costs)		
Expected return on pension scheme assets	**1,824**	1,654
Interest on pension scheme liabilities	**(1,646)**	(1,678)
Net credit / (charge) to finance income	**178**	(24)
Operating profit		
Current service cost	**(558)**	(601)
Total charge	**(380)**	(625)

iii) The amount included in the balance sheet and the expected long-term rate of return were:	**Rate of return**	**2011**	Rate of return	2010
	%	**£000**	%	£000
Equities	**8.08**	**10,004**	7.60	15,533
Dynamic asset allocation	**8.08**	**5,174**	-	-
Property	**6.58**	**5,168**	7.35	4,859
Liability driven investments	**4.73**	**4,133**	5.29	3,550
Cash	**0.50**	**373**	0.50	1,601
Total market value of assets		**24,852**		25,543
Present value of insured annuity policies		**2,241**		1,783
Fair value of assets		**27,093**		27,326
Present value of scheme liabilities		**(35,608)**		(30,307)
Deficit in the scheme as at 31 December		**(8,515)**		(2,981)
Related deferred tax asset		**2,129**		805
Net pension liability		**(6,386)**		(2,176)

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

33. PENSIONS AND OTHER RETIREMENT BENEFIT COSTS (continued)

	2011	2010
	£000	£000
iv) The movement in the fair value of the assets in the scheme is as follows:		
Fair value at 1st January	**27,326**	23,959
Expected return on assets	**1,824**	1,654
Actuarial (loss) / gain	**(1,805)**	1,778
Employers' contributions	**1,095**	1,192
Contributions by scheme participants	**33**	42
Benefits paid	**(1,380)**	(1,299)
Fair value at 31st December	**27,093**	27,326

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

	2011	2010
Present value at 1st January	**30,307**	29,188
Current service cost	**558**	601
Interest cost	**1,646**	1,678
Actuarial loss	**4,444**	97
Contributions by scheme participants	**33**	42
Benefits paid	**(1,380)**	(1,299)
Present value at 31st December	**35,608**	30,307

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

	2011	2010
Actuarial (loss) / gain on scheme assets	**(1,805)**	1,778
Actuarial loss on scheme liabilities	**(4,444)**	(97)
Actuarial (loss) / gain	**(6,249)**	1,681
Deferred tax credit / (charge) thereon	**1,514**	(501)
Actuarial (loss) / gain net of tax recognised in the statement of total recognised gains and losses	**(4,735)**	1,180

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS 17 is a net loss of £15,039,000 (2010 - £8,790,000).

vii) The movement in the deficit is as follows:

	2011	2010
Deficit in the scheme at 1st January	**(2,981)**	(5,229)
Current service cost	**(558)**	(601)
Employers' contributions	**1,095**	1,192
Finance income / (charge)	**178**	(24)
Actuarial (loss) / gain	**(6,249)**	1,681
Deficit in the scheme at 31st December	**(8,515)**	(2,981)

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

	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
Experience adjustments on scheme assets	**(1,805)**	1,778	2,025	(6,222)	(1,027)
Experience adjustments on scheme liabilities	**911**	598	135	(859)	1,073
Changes in assumptions	**(5,355)**	(695)	(3,980)	1,324	2,122
Total amount recognised in the statement of total recognised gains and losses	**(6,249)**	1,681	(1,820)	(5,757)	2,168
Fair value of scheme assets	**27,093**	27,326	23,959	19,974	24,936
Present value of scheme liabilities	**(35,608)**	(30,307)	(29,188)	(24,150)	(23,633)
(Deficit) / surplus in the scheme	**(8,515)**	(2,981)	(5,229)	(4,176)	1,303

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of Marshall of Cambridge (Holdings) Limited for the year ended 31st December 2011 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Statement of Group Cash Flows, the Group and Parent Company Balance Sheets, and the related notes 1 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31st December 2011 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

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

24th April, 2012

RECENT FINANCIAL HISTORY

	2007 £000	2008 £000	2009 £000	2010 £000	**2011** **£000**
Turnover	707,520	724,172	765,802	883,974	**1,002,747**
Operating profit before operating and non-operating exceptional items	14,725	7,069	15,029	5,204	**9,366**
Exceptional items: profit on disposal of tangible fixed assets	10,192	1,079	801	1,128	**622**
	24,917	8,148	15,830	6,332	**9,988**
Net interest / investment income	(870)	(1,116)	(724)	(1,135)	**(1,462)**
Profit before tax	24,047	7,032	15,106	5,197	**8,526**
Taxation	(5,811)	(1,523)	(3,165)	(1,903)	**(1,843)**
Minority interests	(3)	8	-	(7)	**12**
Dividends charged	(2,284)	(3,237)	(7,417)	(2,494)	**(2,494)**
Retained profit	15,949	2,280	4,524	793	**4,201**
Ordinary dividends per share paid and proposed for the year	2.75p	2.75p	1.5p	1.5p	**1.75p**
Special and Centennial dividends per ordinary share	1.5p	3.125p	3.125p	-	**-**
NVPO dividends per share paid and proposed for the year	-	-	3.5p	3.5p	**3.75p**
Dividend cover (excluding special dividends)	8.0	2.3	4.0	1.4	**2.7**
Basic earnings per share	29.8p	8.1p	17.8p	4.3p	**10.1p**
Underlying earnings per share	14.6p	7.7p	18.1p	5.1p	**11.8p**
Return on average shareholders' funds	16.6%	4.6%	9.9%	3.3%	**5.5%**
Cash balance at year end	14,899	25,254	20,796	48,730	**24,905**
Cash generated/(utilised)	(8,400)	10,355	(4,458)	27,934	**(23,825)**
Capital expenditure, acquisitions and investment (net)	23,570	27,776	22,632	33,049	**30,788**
Average no. of staff	3,876	3,950	4,101	4,260	**4,191**
Fixed assets	126,452	132,864	138,567	143,601	**146,104**
Net current assets	48,526	41,189	44,324	42,178	**49,385**
Creditors over one year, provisions, pension liability and minority interests	(21,938)	(23,455)	(28,362)	(29,827)	**(40,193)**
Shareholders' funds	153,040	150,598	154,529	155,952	**155,296**

MARSHALL OF CAMBRIDGE (HOLDINGS) LIMITED
NOTICE OF THE TWENTY SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Sixth Annual General Meeting of Marshall of Cambridge (Holdings) Limited (the Company) will be held at 11.30 am on Wednesday 30th May, 2012 at The Airport, Cambridge, CB5 8RY for the following purposes:

Ordinary Business

1. Notice of Meeting.

2. Proxies.

3. Statement by the Chairman of the Company.

4. To receive and consider the Company's annual report and financial statements together with the reports of the directors and the auditor for the financial year ended 31st December 2011.

5. To declare a final dividend of 1.25p per ordinary share and NVPO share amounting to £733,250 to be paid on 29th June 2012 to those shareholders on the register of members as at 30th May 2012. The Company paid an interim dividend on 22nd December 2011, of 0.5p per ordinary share and 2.5p per NVPO share, amounting to a total of £1,164,687, which, together with the proposed final dividend, brings the total dividend in respect of the year to £1,897,937.

6. To re-elect A.E. Cook, who retiring by rotation as director and, being eligible, is offering himself for re-election as director.

7. To re-elect W.C.M. Dastur, who retiring by rotation as director and, being eligible, is offering himself for re-election as director.

8. To re-elect Sir Ralph Robins, who retiring by rotation as director and, being eligible, is offering himself for re-election as director.

9. To re-elect J.D. Barker, who retiring on first appointment, and being eligible, is offering himself for re-election as director.

10. To re-elect S. Fitz-Gerald, who retiring on first appointment, and being eligible, is offering himself for re-election as director.

11. To re-appoint Ernst & Young LLP as auditor of the Company to hold office from the conclusion of this meeting until the conclusion of the next meeting of the Company at which the annual report and financial statements are laid and to authorise the directors to determine their remuneration.

12. To approve retrospectively the granting of loans to S. Fitz-Gerald and D. Gupta, as disclosed in note 30 to the financial statements on page 52.

13. To propose the date of the next Annual General Meeting as Wednesday 5th June 2013.

14. Any other business.

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

J. D. Barker
Secretary

Dated this 24th April, 2012
by Order of the Board

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

SHAREHOLDER INFORMATION

Registered office and trading address
Marshall of Cambridge (Holdings) Limited
Airport House
Newmarket Road
Cambridge
CB5 8RY

Registration details
Registered in England and Wales
Company Number: 2051460

Company Secretary
Jonathan Barker (until 30th May 2012)
Sarah Moynihan (from 30th May 2012)

Enquiry email address
shareholderenquiries@marcamb.co.uk

Financial reports
Copies of this annual report will be published on the Group website www.marshallgroup.co.uk following the AGM. 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 Capita Registrars, which is primarily responsible for updating the share register and for dividend payments. Capita offer a share portal for the convenience of shareholders if they have a query relating to their shareholding and they can register to use the share portal at www.capitashareportal.com. This is an online service allowing access to and maintenance of personal details as well as being able to view details of shareholding and dividend payments.

Future dividend payment dates
Final ordinary and NVPO shares 29th June 2012
Interim ordinary and NVPO shares 21st December 2012
A and B preference shares 15th October 2012
A and B preference shares 15th April 2013

Dividend history

	Ordinary shares Amount per share	NVPO shares Amount per share	A preference shares Amount per share	B preference shares Amount per share
Payment date				
22nd December 2011	0.5p	2.5p	-	-
14th October 2011	-	-	4.0p	5.0p
1st July 2011	1.0p	1.0p	-	-
15th April 2011	-	-	4.0p	5.0p
Year ended 31st December 2011	1.5p	3.5p	8.0p	10.0p

	Ordinary shares Amount per share	NVPO shares Amount per share	A preference shares Amount per share	B preference shares Amount per share
Payment date				
24th December 2010	0.5p	2.5p	-	-
15th October 2010	-	-	4.0p	5.0p
2nd July 2010	1.0p	1.0p	-	-
15th April 2010	-	-	4.0p	5.0p
Year ended 31st December 2010	1.5p	3.5p	8.0p	10.0p

KEY GROUP PERSONNEL

MARSHALL GROUP OF COMPANIES	
Sir Michael Marshall	Chairman
R D Marshall	Group Chief Executive
W C M Dastur	Group Financial Director
J D Barker	Company Secretary & Director
S J Moynihan	Group Financial Controller & Head of Group Insurance
C M H Walkinshaw	Group Corporate Communications Director
T M Holloway	Group Support Executive
MARSHALL MOTOR GROUP	
D Gupta	Chief Executive
F Laud	Financial Director
C M Sheppard	Commercial Director
C A Burman	Human Resources Director
A A Lewis	Used Car Sales Director
S Myers	Director of Sales Process, Finance, Insurance & Warranty
N Tonks	Group After Sales & Corporate Sales Director
M A Furniss	Franchise Director
D Waghorn	Franchise Director
A Wallington	Franchise Director
N Ward	Franchise Director
MARSHALL LEASING	
P G Cakebread	Managing Director
J A Ross	Sales & Marketing Director
P Targett	Customer Services Director
MARSHALL AEROSPACE	
S Fitz-Gerald	Chief Executive
G J Clark	Financial Director
C Hughes	Strategy & Business Development Director
K Hussey	Human Resources Director
N M Jennion	Operations Director
B Phillipson	Engineering Director
N Whitney	Managing Director - OSS
K J Bishop	Managing Director - Aeropeople
S M Boyd	Managing Director - Slingsby
N Candeland	Operations Director - Aeropeople
MARSHALL LAND SYSTEMS	
P W Callaghan	Chief Executive
R D Cutting	Managing Director - MSV
P Hardisty	Managing Director - MVE
J Harris	Managing Director - MSDG
A J Howells	Managing Director - MFS
A Pettitt	Financial Director
J Borthwick	Commercial Director
D Cattermole	Human Resources Director
T Otter	Future Business Director
CAMBRIDGE AIRPORT	
A Garden	Airport Director
S Kissane	Infrastructure Director